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Tuesday May 22 1990

D 8523A

BRAZIL
High costs of bringing inflation to heel
Page 19

World News

Indian forces kill more than 80 mourners in Srinagar

Indian security forces opened fire on a crowd of 100,000 carrying the body of a senior religious and political leader in Srinagar, killing between 80 and 100 people and injuring more than 300.

The deaths marked the worst day of violence in the area since January and are likely to enrage militants in Pakistan. Page 20

Europe's role grows
Nato's European defence ministers agreed that they must take over some of the defence burden from the US. Page 2

Election endorsed
Foreign observers sent to vet the Romanian election gave the poll qualified endorsement, in spite of numerous irregularities and difficulties in distinguishing between cases of fraud and ignorance of electoral procedures. Page 20

China ends austerity
China has ended a 20-month austerity programme and is willing to risk inflation as it rebuilds its battered industries, a senior Chinese economist said. Page 8

Violent campaign
Gunmen shot dead a senator closely allied to the front-runner in Colombia's May 27 presidential elections, in a wave of violence before the poll. Earlier story, Page 6

Yemen unity agreed
South Yemen's parliament ratified a merger with North Yemen, a formal declaration of which is expected at noon today.

Liberian port taken
Rebels seeking to topple President Samuel Doe captured Liberia's second biggest port of Buchanan after two days of fighting, travellers from the area said.

Cease-fire pledge
The Salvadorean Government and leftist rebels pledged to reach a cease-fire in their 10-year-old civil war by mid-September under a preliminary accord signed after five days of talks in Caracas.

Officers executed
Ethiopia executed 12 high-ranking military officers for their involvement in a 1989 coup attempt against President Mengistu Haile Mariam.

Jewish settler funds
Prime Minister Yitzhak Shamir won parliamentary approval to spend more than $17m on Jewish settlements in the Israeli-occupied territories.

Emir drops charges
The last two of 14 pro-democracy activists detained in Kuwait were freed and the Emir suspended legal action against all of them.

S African violence
Heavily armed police officers patrolled the township of Thabong outside Welkom after three more blacks were reported killed during further clashes with police. Page 8

Sri Lankan strike
Sri Lanka's Tamil north and mixed-race east came to a complete halt in response to a strike call by the Tamil Tigers. Page 8

Greek-Israeli links
Greece said it would officially recognise Israel. It is the last EC member to do so. Page 8

Cannes awards
Wild At Heart, a bloody, sexually explicit black comedy by American director David Lynch, won the best film award at the 43rd Cannes Film Festival. *Hidden Agenda*, a controversial film by Briton Ken Loach, depicting British government attempts to cover up human rights abuses by security forces in Northern Ireland, also won an award.

Business Summary

EC agrees measures to create single energy market

THE European Community took its first steps towards creating a single market in energy, by agreeing measures which will encourage cross-border trade in electricity, and make it easier for big energy users to shop around. The so called "electricity transit" directive will allow utilities in one member state fair access to the networks in another. Page 20

MARKETS: The fall in Frankfurt and the surge in Milan, both on interest rate considerations, were piquant features on a Continental bourse scene which has tended to see these markets' strengths and weaknesses in quite another way. In the US, a burst of programme buying in an otherwise thin market pushed equities sharply higher yesterday morning, leaving the Dow Jones Industrial Average 22.91 up at 2,842.52 at 2pm. In Tokyo, a subsequent decline in the yen and weakness in the bond market combined to take the Nikkei average below the 32,000 mark in listless trading. Back page, Section II

AEG, the West German electrical and electronics subsidiary of the Daimler-Benz group, made heavy losses in two of its main divisions last year, but ended up with a break-even result and is hoping for an improved performance in 1990. Page 21

WESTERN oil companies will move swiftly into East Germany Mr Wilhelm Bonse, a director of Veba Oel, the West German oil company predicted. Page 3

DASSAULT family, a legend in France's aviation history and in its financial world, are to get their own bank again, after buying a 40 per cent stake in Banque Parisienne Internationale (BPI). Page 22

BSN, the leading French foods group, is putting its US biscuits division up for sale to leave it free for expansion in eastern Europe and Asia. Page 21

US Treasury has proposed extensive improvements in financial controls and disciplines over government-sponsored enterprises with potential liabilities of nearly $1 trillion. The aim is to avoid a repetition of the massively costly savings and loan rescue. Page 6

GENERAL Electric Company of the UK is trying to forge a broad Anglo-French front to compete with US contractors in the next generation of radar for fighter aircraft. Page 10

ASSOCIATED British Foods, the milling and baking group whose brands include Ryvita, increased pre-tax profits by nearly 20 per cent to £283.8m ($475.4m) in the year to March 31. Page 28

CARLTON Communications, the UK television production, equipment and services company which has seen its shares fall sharply in recent weeks, yesterday unveiled a 54 per cent increase to pre-tax profits of £64.9m ($107.5m) for the six months to March 30. Page 27

VILLEROY & Boch, the West German tableware, tile and sanitary ware company, is coming to the stock market next month with a preference share issue that is expected to raise around DM400m, ($244m) which will make it the largest flotation in Germany so far this year. Page 22

BARLOW Rand, South Africa's largest industrial group, suffered an 8.2 per cent decline in pre-tax profit to R1.1bn ($417m) in the six months to March because of a slowdown in the local economy and difficult conditions in the world stainless steel market. Page 25

Three Palestinians die as residents defy Israeli curfew in occupied territories

UN to debate West Bank, Gaza killings

By **Lamis Andoni** in Amman, **Tony Walker** in Cairo and **Lara Marlowe** in Beirut

THE UN Security Council will meet today to discuss the growing violence in the Israeli occupied territories as outrage swept the Arab world over the weekend's violence in which 14 Arabs were killed in Israel and the occupied territories.

Three more Palestinians were killed in the occupied Gaza Strip yesterday as thousands of residents defied a blanket curfew to demonstrate against the shootings, which set off a surge of rioting and clashes with Israeli security forces.

The army despatched reinforcements to the occupied territories.

The protests began on Sunday after the killing of seven Gaza labourers by an Israeli gunman.

Earlier yesterday in the Jordanian capital Amman a lone Arab, shouting "Gaza martyrs", attacked a group of French tourists. Nine tourists were wounded in the pistol and knife assault. Thousands of demonstrators in the city took to the streets to protest at the slaying.

The US state department described the shooting as "very horrible, very tragic" and said it was disturbed by the large number of Palestinians killed and wounded by Israeli troops in the violent aftermath.

The Palestinian Liberation Organisation demanded that Arab states take concerted, united action, including possible economic sanctions against the US, to protect Palestinians under Israeli occupation.

Mr Richard Boucher, State Department Spokesman, said the US was "disturbed by the number of casualties inflicted by the Israeli army".

"We've repeatedly called on the government of Israel to exercise restraint in these situations in order to avoid heavy casualties such as took place yesterday," he said.

Mr Boucher said the lack of a viable peace process in the Middle East increased the danger that such incidents would provoke a spiral of violence.

In an unusual spillover of the 29-month-old *intifada*, or uprising, within the pre-1967 borders of Israel, the Israeli-Arab community declared a one-day strike and took to the streets to demonstrate support for their fellow Arabs in the West Bank and Gaza.

In mainly Arab Nazareth, shots were reported fired in the air to help disperse a crowd which battled with police, threw up road blocks and smashed Israeli shops.

Yasser Abed Rabbo, a member of the PLO's inner cabinet, blamed US support for Israel for what he described as crimes committed against the Palestinian people.

His call for strong action comes just a week before Arab heads of state convene in Baghdad for an emergency summit to discuss the dangers to regional stability posed by
Continued on Page 20

French tourists attacked in Amman; Greeks recognise Israel, Page 8

An Arab woman screams at an Israeli border guard after her son was arrested in Gaza

Moscow to raise consumer prices

By **Quentin Peel** in Moscow

AN ECONOMIC reform package for the Soviet Union which would double food prices while attempting to soften the blow with direct compensation payments to wage-earners, is set to be presented this week by Mr Nikolai Ryzhkov, the Soviet Prime Minister.

He will present the plans in the face of a growing campaign by radical deputies in the Supreme Soviet (standing parliament) for his resignation because of the disastrous failure of Soviet economic policy over the past year.

First details of the package were published yesterday by Interfax, the news service published by Radio Moscow, on the eve of a critical Presidential Council meeting, which has to give its blessing both to the price reform measures and a whole range of laws intended to switch gradually to a market economy.

The proposals appear to be much more cautious than first ideas floated by economic advisers to Mr Mikhail Gorbachev, the Soviet leader.

The most significant proposals are on price reform. The preferred option of the government, Interfax says, is to bring most retail prices of foodstuffs and manufactured goods into line with "the real conditions of production" in one move in January 1991.

That will mean that prices, on average, will more than double for foodstuffs, with the highest rise for bread – set to triple – fish, to rise by 2.5 times, and meat, to go up by 2.3 times.

Other hefty increases will include communal services – excluding rents – which are set to rise by 70 per cent, railway and air tickets (up by 50 per cent), household electricity (100 per cent), and gas (40 per cent.)

Truck maker to sell off shares and compete on world market

By **Leyla Boulton** in Moscow

THE SOVIET Union's main heavy truck manufacturer, Kamaz, wants to sell off shares in a pioneering scheme to raise capital and compete on world markets.

Kamaz would offer 49 per cent of its shares to outside investors, including companies outside the Soviet Union, said Mr Nikolai Bekh, the director of the state-owned enterprise.

He said in an interview that an ambitious modernisation plan required fresh investment of at least Rbs6bn ($3.6bn) by the end of the century.

"Kamaz heavy trucks are already on the world market. However, in order for them to be more competitive, we need to do a lot to perfect them, to modernise our technology and to resolve a whole series of social problems," he told Pravda, the Communist Party daily.

This was because it was "unrealistic" to count on the state for investment on such a huge scale.

"Only one hope remains – the resources of the financial market," Mr Bekh said. "Many enterprises and organisations, including consumers of our products, have resources which they are ready to plough into the development of Kamaz," he added, without giving details of would-be investors.

Western businessmen expressed interest in the plan as a way for patient foreign companies to secure a foothold in the Soviet market.

But they foresaw difficulties in pricing the shares in an economy with controlled prices and a non-convertible currency.

"There will be many, many problems to estimate the real value of each share," said one executive with a western car and truck manufacturer in Moscow.

Mr Bekh did not say whether the plan for a joint-stock company, leaving the state with a 51 per cent stake, was just a first step towards full privatisation.

Unlike previous share offerings in the Soviet Union, the plan would allow all shareholders a say in the running of the enterprise, Mr Bekh said.

A 1988 decree allows Soviet enterprises to issue shares, primarily to their own workers, but Kamaz's plan extends to a whole range of investors, including co-operatives, individuals and foreign entities.

A reform package due to be unveiled by the Government later this week is expected to create a securities market, encourage foreign investment and the break-up of state monopolies.

The Kamaz enterprise, which consists of 13 factories and 200 service centres scattered around the country, has produced more than 1m trucks since it opened in 1976.

Bayer buys Nova's Canadian rubber subsidiary

By **David Marsh** in Bonn

BAYER, one of the Big Three West German chemicals groups, yesterday announced the purchase of the Polysar rubber division of Canada's Nova Corporation for C$1.25bn (US$1.06bn).

The deal, clinched in the face of competition from other chemical companies including Enimont of Italy, Mitsubishi Chemicals of Japan and DSM of the Netherlands, is a further step towards boosting Bayer's North American presence.

The purchase is subject to approval by government authorities in Canada, the US and Germany. The competing bids are understood to have been not widely divergent and Nova is believed to have given preference to Bayer partly because of the company's constructive record as a foreign investor in North America.

Polysar, headquartered in Toronto, is one of the world's leading producers of synthetic rubber. It employs 3,500 people worldwide, with plants in Canada, the US, Belgium and France. Its sales last year were around C$819m, expected to rise to around C$900m in 1990.

The acquisition adds to Bayer's range of rubber products, produced mainly in western Europe. The deal is aimed at strengthening Bayer's overall North American presence as well as giving it access to additional markets in Europe and the Far East.

Bayer, which has been present in Canada since the turn of the century, runs four companies there, employing 1,000 people with turnover of C$420m in 1989. In the US the company employs 29,600, and last year had a turnover of $5.4bn.

Bayer said yesterday that it expected to extend existing research links with Polysar.

Mr Bill Wilson, Nova's chief financial officer, said yesterday that Bayer submitted the best bid after an unexpected offer from an unidentified company encouraged Nova to accelerate the process for selling the rubber division, writes Bernard Simon from Toronto.

The proceeds will cut Nova's total debt from C$3.8bn to just above C$2bn and improve the equity-to-debt ratio of its plastics and petrochemicals division from 42 per cent to 70 per cent.

Mr Wilson said that the sale puts Nova "on a first class financial position vis-a-vis improving our earnings."
Lex, Page 20

Malaysia pulls out of £400m Tornado fighter aircraft order

By **Paul Betts**, Aerospace Correspondent, in London and **Lim Siong Hoon** in Kuala Lumpur

MALAYSIA has cancelled plans to buy up to 12 Tornado aircraft for £400m ($672m), dealing a further blow to the export hopes of the aircraft's Anglo-German-Italian producers.

It is the third country to cancel orders for Tornado jets. Jordan and Oman both cancelled earlier orders last year, leaving Saudi Arabia's order for 120 aircraft as the only order for the Tornado outside Nato.

The Tornado aircraft order was regarded as the backbone of the £1bn arms package deal Mrs Margaret Thatcher, the British Prime Minister, signed with the Malaysian Government two years ago.

It is not clear why the Malaysians have pulled out. One suggestion is that the Tornado has proved too expensive and unnecessarily sophisticated. A senior Malaysian government official said last night: "It forms part of a reassessment of Malaysia's defence needs in the light of the changed political climate in the south-east Asia region."

As super-power tensions ease and regional conflicts such as the Vietnamese occupation of Cambodia are resolved defence exporters will find it increasingly difficult to persuade smaller states to buy expensive and sophisticated weapons systems.

Another possibility is that pressure from other countries in the Association of South East Asian Nations, notably Singapore, for commonality of procurement has made the Malaysians take another look at US options.

More than 920 Tornados have been sold since the highly successful programme was first started, mainly to Nato. But the UK has been anxious to prolong the life of the Tornado programme through export orders to ensure a smooth transition to the European Fighter Aircraft programme, the next generation combat aircraft due to come into production in 1996. The EFA is now facing uncertain prospects because of detente.

The Malaysian decision was disclosed by a report in the latest issue of Flight International, the specialised aerospace magazine, to be published tomorrow.

British Aerospace, which has spearheaded the Tornado export drive, said that talks were continuing on a government to government basis with Malaysia and that the UK group "was acting in support of these talks."

BAe, which has a 42 per cent stake in the Tornado Panavia consortium, claimed it had "no formal information that the Tornado had been abandoned" by Malaysia.

However, defence industry experts confirmed the Flight International report that Malaysia had decided to abandon the contract. They also confirmed negotiations between BAe and Malaysia for the sale of Hawk fighter and advanced trainer aircraft to replace the planned Tornado.

This could, if successful,
Continued on Page 20
Analysis, Page 9

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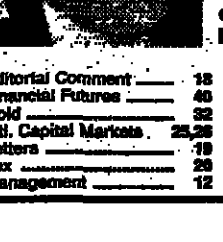
CONTENTS

German unity may take time to sink in at street level



Mr Lothar de Maizière, East German Prime Minister, has said Germans should stop referring to each other *as easterners and* westerners, but rapid institutional integration may have the opposite effect at street level
Page 19

MARKETS

STERLING
New York close
$1.6865 (1.6900)
London:
$1.691 (1.6905)
DM2.8125 (2.785)
FFr9.4775 (9.39)
SFr2.4050 (2.375)
Y259.5 (258.5)
£ index 88.7 (88.2)

GOLD
New York: Comex Jun
$374.1 (371.3)
London:
$373.25 (369.75)

N SEA OIL (Argus)
Brent 15-day Jul
$17.45 (17.825)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.6634 (1.6480)
FFr5.606 (5.5580)
SFr1.4225 (1.4050)
Y153.72 (153.05)
London:
DM1.6635 (1.6480)
FFr5.6050 (5.5550)
SFr1.4225 (1.4045)
Y153.50 (152.90)
$ index 67.3 (67.1)
Tokyo close: Y153.25

US closing rates
Fed Funds $8\frac{3}{16}$% ($8\frac{3}{16}$)
3-mo Treasury Bills:
yield: 7.976% (7.992)
Long Bond:
$100\frac{31}{32}$ ($100\frac{17}{32}$)
yield: 8.679% (8.694)

STOCK INDICES
FT-SE 100:
2,282.1 (+13.0)
FT Ordinary:
1,810.8 (+17.5)
FT-A All-Share:
1,122.64 (+0.5%)
FT-A World Index:
145.18 (−0.3)
New York close
DJ Ind. Av.
2,844.68 (+24.77)
S&P Comp
358.00 (+3.56)
Tokyo: Nikkei
31,785.05 (-248.64)

LONDON MONEY
3-mo Int'bank close:
$14\frac{31}{32}$-$14\frac{15}{16}$% ($15\frac{1}{16}$)
Liffe long gilt future:
$83\frac{3}{4}$ ($83\frac{3}{32}$)

Egalitarian hackles look likely to rise at news of Gorbachev's pay rise

AS IF deliberately flouting the evidence of a slump in his popularity, and growing public fears at the prospects of soaring inflation, President Mikhail Gorbachev yesterday won for himself a hefty pay rise, writes Quentin Peel in Moscow.

Barely a week after a draft law was presented to the Supreme Soviet, the nation's standing parliament, proposing tough prison sentences for anyone guilty of insulting the president, the legislature yesterday received and approved a new law granting him the pay rise, and spelling out a string of special presidential benefits.

The deal seems certain to arouse the anger of egalitarian radicals, who are convinced that the Soviet president is accruing excessive power and privilege just as the country's economy is collapsing.

However the irony is that the laws have been published as a demonstration of glasnost – to show that the privileges once hidden to public view can be debated and democratically approved. "This is another step towards a law-governed state, where all spheres of life are regulated by law and not by secret instructions," Tass news agency declared.

The new presidential salary will be Rbs4,000 (£4,000) a month, or Rbs2,300 a month after tax. The original proposal to give him Rbs2,500 tax-free was rejected by the deputies, because it was said to be unfair to give him tax exemption.

Although certainly not excessive in terms of international comparisons for a head of state, the presidential package is unfortunately some 10 times the Soviet average industrial wage. Moreover the bill mentions "hospitality expenses" on top.

In addition, Mr Gorbachev will have an apartment in Moscow, an official dacha outside the city, along with a holiday home in the Crimea, specially-equipped aircraft and helicopters, and "special" cars – presumably a reference to bullet-proof Zil limousines.

Even Pravda, the most loyal Communist Party newspaper, has mentioned in recent weeks the growing unpopularity of the president. Komsomolskaya Pravda, the Communist Youth league paper, published a scathing criticism of the law on insulting the head of state, pointing out that nobody bothered to define an insult.

But he has at least one thing going for him. A string of Soviet enterprises and organisations, including the Bolshoi Theatre and the Soviet Association of Engineering Colleges, have just founded the new Fans of Gorbachev Club for the Renovation of the World.

Its aim, the founding fathers declared, is "to support the course proclaimed by Mikhail Gorbachev, creation of the atmosphere which is most favourable to his reforms, consolidation of all walks of society around these reforms, and fostering of a respectful attitude towards the head of state."

Nato talks aimed at easing the US burden in Europe

Nato's European defence ministers agreed yesterday that they must take more of the defence burden from the United States now that the Cold War is at an end, Reuter reports from Brussels.

The ministers, meeting the day before a scheduled gathering of all Nato's defence ministers, also ordered a study into how to set up multinational units as part of Europe's future defences.

In a statement they said the threat of an attack from the Warsaw Pact had been "significantly reduced" by the changes in eastern Europe and unilateral arms cuts by its members.

"The Europeans will assume a greater responsibility," Mr Narcis Serra of Spain told a news conference.

"We have to accept that the major part of (conventional force) reductions will be for our allies in North America," Mr Gerhard Stoltenberg of West Germany said.

Under western proposals for a Vienna treaty on cutting conventional forces in Europe (CFE), the United States and the Soviet Union will cut their troops in central Europe to 195,000 on each side.

Thousands of tanks, artillery pieces and armoured personnel carriers will also be scrapped.

Mr Stoltenberg and Mr Serra said cuts in European forces could not be ruled out and that the United States and Canada should keep some forces in Europe. Washington, with 300,000 troops in Europe, has often complained about its share of the defence burden.

Brussels teachers strike over pay claim

By Tim Dickson in Brussels

TENS of thousands of students and teachers in the French-speaking part of Belgium backed a bitterly contested pay claim yesterday by staging strikes and demonstrations.

Leaders of one of the teaching unions last night claimed 50,000 people had taken to the streets and vowed that the turnout next Monday would be 100,000.

The dispute has highlighted financial implications of Belgium's recent move towards a more federal political system, designed to defuse tension between French and Flemish speaking parts of the country.

Most powers devolved at the beginning of last year were conferred on the three regional governments of Flanders, Wallonia and Brussels. But education, previously dealt with in two compartments of a single national ministry, was made a responsibility of the Flemish and francophone communities, which have traditionally been responsible for cultural issues.

Belgium's education system is widely considered to be among the best in Europe. However, with separate systems for the two language groups, separate systems for the state and private (Catholic) sectors and an extraordinarily wide curriculum, it is now a considerable financial burden.

The immediate problem is that the two communities have no revenue-raising powers of their own and are dependent for their funds on a share of Value Added Tax revenues from the national budget.

The Flemish community, however, has been able to break through this constraint by getting money from the Flemish regional government and has promised its teachers a 2 per cent real increase in their salaries for each of the next three years.

The francophone Community (which covers Brussels and Wallonia) is in no position to meet teachers' demands for similar treatment. The only solution is to seek central government help – something unlikely to succeed because Flemish politicians will veto it – or appeal to the Walloon and Brussels regional governments, whose political rivalry is an obstacle.

Factory workers strike against Estonian independence drive

By Christopher Bobinski in Tallinn

WORKERS at some 20 factories in the Estonian capital of Tallinn and several outlying towns in the Soviet republic voted yesterday to strike in an attempt to force the Baltic state to retract its declaration of independence.

The stoppages, which could continue for some days, have affected the rail freight terminal, a local port and short-range flights from the city.

They came at the behest of a strike committee strongly influenced by local pro-Moscow Communist Party officials.

But though the strikes are directed against the Estonian independence drive, they appeared strongest at plants like Dzwigatel, an arms factory employing 5,000 workers, which directly supply the Soviet economy outside the rebellious republic.

Yesterday morning, as party and trade union leaders in factories called meetings to argue for the stoppage, the Estonian parliament voted 57 to 20 against even considering the recent decree from President Mikhail Gorbachev which called the republic's recent independence legislation invalid.

Despite the strikes, the city remained calm and the republic's parliament continued with its scheduled business passing a new law banning political parties from the police judiciary and security services.

In response to the strike, the Estonian farm ministry yesterday ordered a cut in supplies to factory canteens where strikes are in progress.

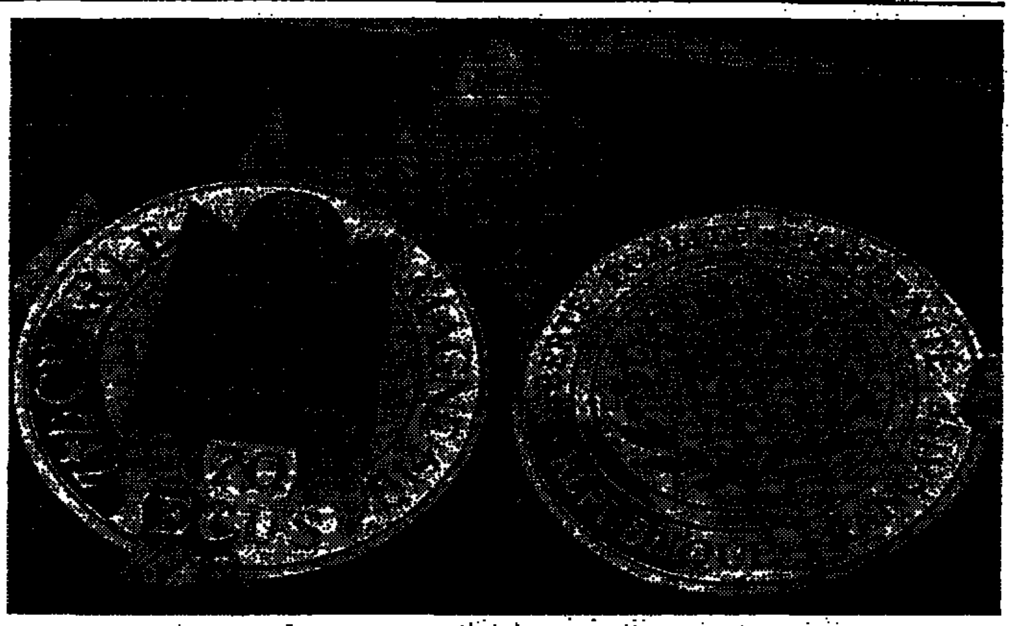
At the RET electronics plant in Tallinn, which employs some 3,000 workers, a meeting heard speakers say of the Estonian aspiration to independence: "If things go on like this, then we'll have to take up arms to defend the Soviet Union."

Others accused the Estonians of "replacing pride in their country with naked nationalism."

Finally 62 per cent of the workers at the plant voted to strike for two days.

The strike committee is also demanding the prices policy be determined in Moscow and not independently in Estonia.

The demand comes on the eve of a debate today in parliament on the government's free market-orientated economic programme, which includes provisions for price rises, albeit those compensated by wage rises.



The director of the Paris mint, Mr Patrice Cahart, displays giant models of France's new coins denominated in European currency units. Carrying a portrait of the Holy Roman Emperor Charlemagne, who ruled much of Europe in the ninth century, the 2,000 platinum and 5,000 gold coins have a face value of Ecu70 (£51.80). They are aimed mainly at collectors and are legal tender in France, where they are worth FFr500. A further 30,000 silver Ecu15 pieces are also being issued.

Parkinson criticises 'huge subsidies' for railway networks

By Richard Tomkins, Transport Correspondent, and Paul Abrahams

MR CECIL Parkinson, Britain's Secretary of State for Transport, yesterday criticised EC countries that supported their railway networks with "huge" subsidies.

He said the European Commission shared Britain's view that rail should play its part in a competitive railway regime. "It is no part of the Commission's policy to extend to other countries the hugely over-subsidised regimes that exist in some."

Mr Parkinson made his remarks in an opening address in London to the Financial Times conference on European Transport in the 1990s.

He said the Commission recognised that it was unfair for air, road and shipping services to have to compete with a subsidised rail network.

"Their policy is not to urge on us the sort of huge subsidy that is the norm in other countries, it is to move railways *towards a regime in which subsidies are not a part of their* normal commercial activities."

FT CONFERENCE
EUROPEAN TRANSPORT IN THE 90s

Mr Parkinson recognised the need to subsidise for social or regional reasons, as with British Rail's provincial network. But no subsidies were justifiable for services such as InterCity, parcels and freight which were competing in the marketplace.

"It seems to me that the policy we have been following has much more in common with the policies the Commission is *proposing than those of some* of the countries that are held up as examples of how we ought to be."

Mr Eduardo Peña, the Commission's director-general for transport, said that for the first time since the Treaty of Rome was signed 30 years ago, the European Commission was about to get a true internal market in transport.

Previous attempts to integrate transport policy, he said, had fallen victim to the Council of Ministers' transport working groups, "otherwise known as demolition squads"; but the Single Act meant everyone was now in a hurry to create an internal transport market.

Mr Peña saw implications for every mode of transport in Europe. "Our railways will have to learn to compete, to abandon perhaps their monopoly and to compete on certain lines and at certain moments, under certain conditions, with other undertakings existing or *that might exist in the future* in the EC."

Mr Daniel Vincent, the Commission's director of air transport and infrastructures, also concentrated on the implications for the rail network.

He said railway companies, because of their national status, had serious difficulties in running international traffic and in offering a quality of service that could compete in international business.

He said tariff structures still reflected national interests too strongly while technical barriers included gauge differences and differing voltages of electrified lines.

The Commission, he said, had formulated proposals covering four aspects: relations between public authorities and the railway companies, the organisation of a high-speed network, the development of combined transport, and technical harmonisation.

Mr André Bénard, chairman of Eurotunnel, said he was saddened by the lack of progress in curing the "thrombosis" of Britain's lines of communication to the Channel Tunnel and criticised Mr Parkinson's suggestion that an improvement in the existing railway lines might be enough.

"The barrier between France and Britain has been too big a border for too long. Without question the tunnel will play an essential part in bonding Britain to the European Community, provided of course Kent does not replace the Channel as a further obstacle."

Mr Eric Kocher, president of ABB Transportation Management and Systems Development, said the railways of the high-speed age would have to improve conditions at the start and the end of their journey drastically, including the handling of luggage and reservation systems.

"Already the number of rail reservations is 40 per cent higher than for air travel. The railways will have to come up with a new system, cheaper to operate than the existing airline systems," he said. "A working group of the European Commission is studying the problem."

Turning to air travel, Sir Colin Marshall, deputy chairman and chief executive of British Airways, said that limited infrastructure was the real problem facing airlines. Airport slots were replacing platinum as a value standard, said Sir Colin. Regulatory authorities, local transportation networks and most of all airports needed to recognise the problems if the airline industry was to serve the short-haul market successfully.

Another problem facing the European airline industry, said Sir Colin, was "creeping bureaucracy". He said that most of his time was spent trying to deal with "some of the well-meant, but utterly bone-headed conceptions" of regulating people. While he admitted that many regulations dealt with safety, other proposals were "patently ridiculous".

Alitalia and Iberia to share routes

IBERIA and Alitalia, the Spanish and Italian state airlines, said yesterday that they planned to work together to exploit each other's strengths in Latin America and Asia, Reuter reports from Madrid.

Chief executives of both airlines signed a co-operation agreement under which they would use Rome and Madrid as strategic transit hubs through which they can share routes over which they have a competitive edge. The pact between Iberia and Alitalia is the latest in a series of co-operation arrangements *between European carriers*.

Under the deal the Spanish and Italian carriers will pool Iberia's routes between Madrid and Mexico City and Alitalia's between Rome and Bangkok, through block seating arrangements in their respective aircraft.

Officials from both companies said the agreement seeks to exploit a 700,000 passenger market and attract 140,000 new customers to the Rome-Madrid-Mexico route, and 40-50,000 extra on the Madrid-Rome-Bangkok route.

Mr Narcis Andreu, Iberia's chairman, said the accord did not affect competition and left each airline free to negotiate similar agreements elsewhere.

Hungary may imitate Finland

TWO MINISTERS in Hungary's centre-right coalition said yesterday, on the eve of taking office, that the country should quit the Warsaw Pact but should build up Finnish-style friendly ties with the Soviet Union, Reuter reports from Budapest.

The new Defence Minister, Mr Lajos Fur, told a parliamentary committee on defence that he aimed ultimately to take Hungary out of the Soviet-led military alliance.

New Foreign Minister, Mr Geza Jeszenszky, told a separate parliamentary committee on foreign affairs that Budapest had a unique chance to consolidate its independence, but should take neutral Finland's friendly relations with Moscow as a model.

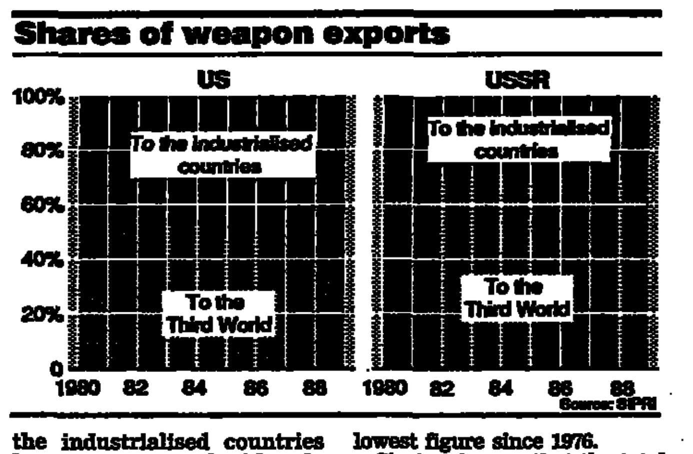
●Stockholm International Peace Research Institute report

Soviet weapons exports rising

By Robert Taylor in Stockholm

THE SOVIET Union – despite its readiness to negotiate sweeping arms reductions – last year exported more arms to the Third World than before Mr Mikhail Gorbachev, the *Soviet leader*, came to power in 1985, it was revealed yesterday by the Stockholm International Peace Research Institute.

Figures from Sipri's newly published 1990 yearbook show that the Soviet Union last year exported \$8.515bn (£5.06bn) worth of arms to developing countries, notably to India and Afghanistan. Soviet arms exports were less than \$8bn in the years between 1982 and 1985.



The Soviet Union accounted for well over half the total of world arms imports in the Third World of \$16.301bn in 1989. Far behind the Soviet Union in exports to the developing world were the US, with \$2.526bn worth of arms sold, and France with \$1.527bn.

The institute notes a clear shift in US arms sales from the Third World to industrialised nations such as Japan, which imported \$3.062bn worth of arms in 1989.

The US exported \$8.228bn to the industrialised countries last year, compared with only \$4.776bn five years ago.

India was the main Third World recipient, purchasing arms worth \$3.819bn in 1989 and \$17.345bn over the past five years.

In 1989 Afghanistan imported \$2.289bn worth of arms, mainly from the Soviet bloc, and North Korean imports were worth \$1.553bn.

However, the total arms trade bill to the developing countries was, at \$16.427bn, the lowest figure since 1976.

Sipri estimates that the total value of the global arms trade last year was \$31.819bn, a clear fall on the figures for the rest of the 1980s.

But the yearbook argues that the main reasons for the decline stems less from a growing relaxation in international tensions than from growth in the armaments industries of Third World countries like Iraq.

Sipri yearbook; Oxford University Press. £40

Developed countries' spending dips

TOTAL MILITARY spending fell 2 per cent last year to \$950bn (£565.5bn) of which an estimated \$810bn was spent by developed countries, Sipri says, writes Robert Taylor in Stockholm.

However, the slight fall is due to what the organisation calls "systemic factors" such as technological sophistication and budget constraints. "Neither the political will to pursue reductions beyond this level nor the reward in the form of a disarmament dividend or peace prize are forthcoming," it notes.

Sipri calculates that Nato countries spent around \$111bn on arms procurements in 1989, with \$34bn of that coming from members of the European Community.

Total defence spending in the EC rose above \$152bn, more than five times Japan's expenditure on arms.

The yearbook estimates that Soviet military spending in 1988 amounted to 12 per cent of the country's gross domestic product, about double that of the US, but Sipri shows understandable caution about any exactitude on Soviet figures for last year.

US provides nearly half world's top arms makers

US GROUPS make up 48 of the world's top 100 weapons makers, the Sipri yearbook shows, writes Robert Taylor in Stockholm.

McDonnell Douglas is the world's biggest private armaments producer, with 56 per cent of its 1988 sales of \$15.072bn (£8.97bn) coming from arms. Lockheed follows, with 79 per cent of its 1988 sales of \$10.59bn.

Sipri shows that 12 of the arms-making top 100 are UK companies; 10 are French and nine West German.

British Aerospace is the sole non-US group in the top 10, with as much as 54 per cent of its 1988 sales of \$10.044bn coming from armaments – far the greatest proportion of any UK-owned enterprise.

Most companies listed by Sipri produce more than just armaments, but the institute has found that as many as 32 of the top 100 generate half or more of their business from arms production.

Five Japanese corporations appear in the Sipri top 100, reflecting Japanese industry's growing interest in defence contracts. But only an estimated 5 per cent of Mitsubishi's sales in 1988, and 34 per cent of Kawasaki Heavy Industries', came from arms.

The world's top five companies accounted for more than 20 per cent of the top 100's combined arms sales, while the top 25 companies account for almost two thirds of the world's arms trade.

The degree of business concentration is striking. Eight of the top US corporations among the leading 20 arms producers depend on arms production for half or more of their output.

The institute says recent events such as the political changes in Europe, improved arms control negotiations between east and west, budgetary pressures and changes in military technology are leading to "over-capacities in the world arms industrial base".

But the dependence of many companies on arms production will make it hard to readjust their activities to more peaceful activities, it is suggested.

"Governments in the west should seriously plan for conversion of parts of the arms industry; otherwise corporations may truly consider themselves as 'victims of peace'," says Sipri.

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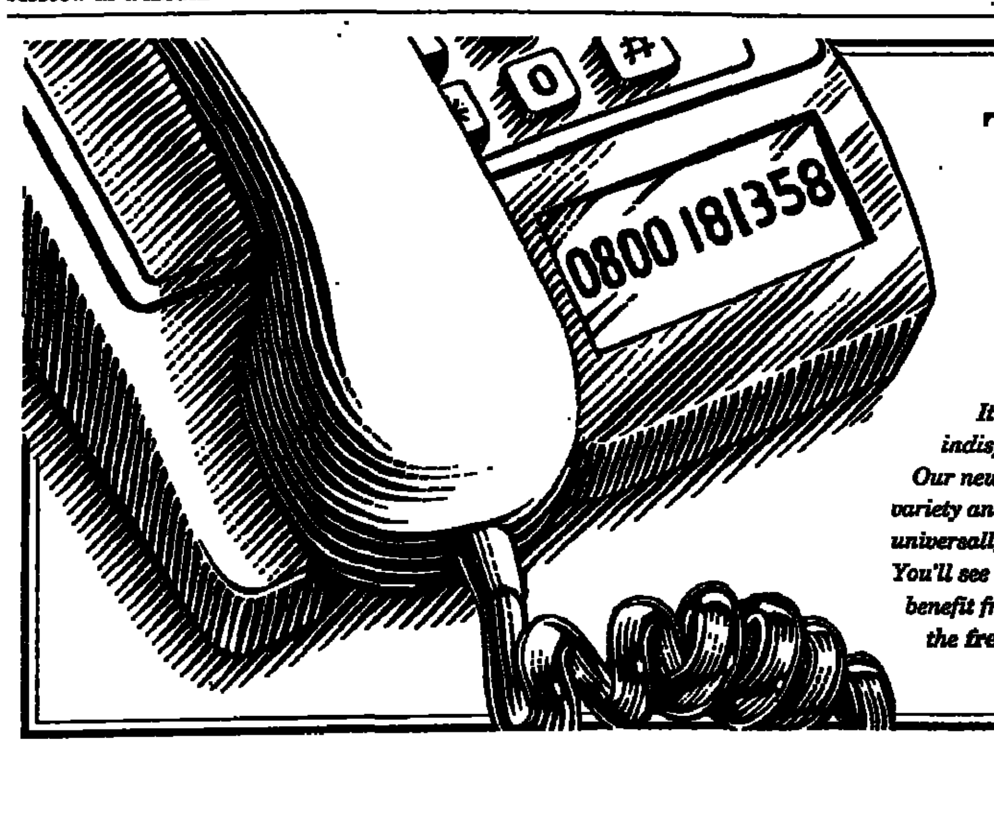

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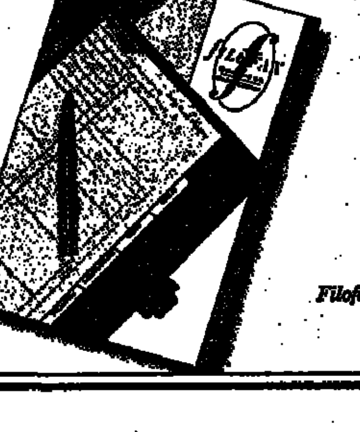

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E Germans call for temporary import tariffs

By David Goodhart in East Berlin

A GROUP of businessmen from East Germany's consumer and household goods industries have been lobbying their own government, so far unsuccessfully, to introduce temporary import controls on West German goods after economic union on July 2.

Mr Friedhold Birnstiel, one of the leaders of the group and general director of the wine, spirits and sekt *Kombinat* (state-owned producer), based in East Berlin, said yesterday that 60-70 per cent of the East German food and drink industries, as well as agriculture, would be uncompetitive without protection for a temporary adaptation period.

He has written to Mr Lothar de Maizière, East German Prime Minister, calling for a 35 per cent tax on imported West German spirits and for imports to be raised only to the level of East German exports (currently 6m bottles a year).

Although phased import controls are being discussed by both German governments, no decision has yet been taken and Mr Birnstiel fears that a decision could be indefinitely delayed. The agricultural ministries of both countries have, however, agreed to introduce quotas on West German farm imports after June 1.

Mr Birnstiel, and other East German consumer goods bosses, have been incensed by the behaviour of the East German wholesalers who had been, until last week, boycotting many domestic goods since March.

Mr Birnstiel said the wholesalers were under pressure from consumers wanting West German products regardless of price, quality and the job consequences, but also from the retailers who get the higher mark up on West German goods.

Most retailers have now begun selling East German products again, at hugely discounted prices, but Mr Birnstiel remains unhappy about the extent to which West German producers are gaining privileged access to the East German market: "In some cases they are paying alcohol duties in neither state and thus hugely undercutting us."

Mr Birnstiel expects to close half of his 14 factories and sack half of his 4,000 workers.

Civic Forum woos the countryside

Party is popular but must counter its city image, writes John Lloyd

IN SVATY JAN (St John), a hilltop village in southern Bohemia, Civic Forum holds a meeting in a little hall on one side of the green. Perhaps a hundred people turn up, and ask Forum activists such questions as: can you stop the planned building of the atomic power station nearby? When will prices go up, and by how much? And: Will you beat the Communists in the June 8 elections?

The Communists are barely visible in this pleasant land, whose regional capital, Cesky Budejovice, is a beer-making centre. Mr Jiri Pospisil, a Forum candidate, says: "We hear they go to old people's houses and tell them their pensions will be cut: they hold meetings among themselves."

The villagers of Svaty Jan, while admiring of President Vaclav Havel, are properly sceptical about Prague rule. The Forum campaign tries to address that by demanding more regional autonomy and appointing its own commission to produce policies on agriculture, about which, says Mr Pospisil, "Prague knows nothing."

Civic Forum must dispel the suspicion that it is only a capital city party of intellectuals, and the response appears warm. Still, its candidates include journalists, Charter 77 activists and (the top of the list) Deputy Prime Minister Vladimir Dlouhy.

"I expected I would be facing a rather suspicious crowd," he says. "But when I tell them there will be price rises, and there must be sacrifices, they accept it. "These south Bohemian towns will not have seen a deputy prime minister before," says Mr Dlouhy grandly.

Indeed, why should they? Voting in the past for one party was popular because it was widely assumed you would suffer if you did not. This combination of monopoly and coercion produced a certain lethargy in the candidates.

EASTERN EUROPE ELECTS

Czechoslovakia

The dominance of Civic Forum throughout the Czech lands causes growing irritation among its opponents, even if its continued moral hegemony, as the initiator of the revolution, keeps the grumbling muted. It still acts as the spokesman of and for the nation. Last Thursday, it staged a march in Prague to commemorate the critical November 17 demonstration, six months before.

Tennis player Martina Navratilova, one of the many stars in the Czechoslovak diaspora to return, gave an awkward speech from the Forum headquarters balcony which was wildly cheered. The whole thing went out on television, an enormous election booster about which the other parties felt too constrained by the obvious enthusiasm for the event to complain.

Instead, they turn on the Communists, each trying to outdo the other in denunciation. Last Friday, the People's Party, the Social Democrats, the Socialists and the Slovakian Democrats called for the Communists to be outlawed – a demagogic piece of hucksterism which may rebound, especially since the PP and the Socialists spent most of the past 40 years in slavish subservience to the Communists.

They worry, too, that the political arena has been devalued by the alienating experience most Czechoslovaks have had of politics. Mrs Michaela Freiova, an executive member of the Christian Democrats, says that "the Communists did their dirty work under the name of a party. They have thus caused a certain anti-political mentality. People don't like the word party. It's dangerous, because it means that the necessary support for democracy will still be weak."

Dr Jozef Horak, chairman of the social democrats, says that "the Communists succeeded in digusting everyone with politics. But we must have parties: there is no democracy without them."

He is also critical of Civic Forum's anti-party stance, its refusal to give up its claims to be a "movement" and transform itself into a party. "There is the American saying: if you look like a duck, walk like a duck and quack like a duck, you must be a duck. CF must be a party."

To these charges, Mr Jan Urban, Civic Forum's secretary general, says: "You need to prepare the old playing field before you play football." By which he means that democracy must be consolidated and the Forum remains the only force capable of doing so.

Many of the 23 parties now on the hustings started life under its wing; a few remain there. But the shadow which falls across these placid, spring elections is: will they now have an equal chance to fly?

Opposition balks at Bulgarian poll rules

BULGARIA'S opposition, preparing to fight the former Communist party in elections next month, unexpectedly refused to sign a pre-election agreement yesterday and complained of campaign malpractices, Reuter reports from Sofia.

A televised signing ceremony at the offices of Mr Petar Mladenov, the state President and former Communist Party leader, erupted into chaos when the opposition Union of Democratic Forces (UDF) and more than 30 other opposition groups refused to sign.

The groups instead read out statements of complaint to the cameras.

Mr Zhelyu Zhelev, the UDF leader, said his group agreed in principle with the document, which sets out provisions against intimidation before the elections on June 10 and 17.

However, the UDF was worried by some pre-electoral malpractices and felt the Communists (now renamed the Socialist Party) had staged the televised ceremony as a propaganda stunt.

"Although we accept . . . the document in principle, we do not wish to sign it now," Mr Zhelev said. "We are upset by the conditions in the country at the time we are supposed to sign – violence, falsification of electoral lists, illegal acts by mayors and Communist party secretaries, the difficulty of publicising our activities at military camps, the monopoly of local mass media by the Socialist Party and the fact that some election committees are closed to representatives of the UDF.

"This document is propaganda by the people who are behind these irregularities," he said.

Thirty-three political groups signed the document and a further 12 signed with reservations. Thirty-five organisations, including the UDF and the former official trade union federation, refused to sign.

Mr Petar Mladenov, who ousted Bulgaria's veteran hardline Communist leader, Mr Todor Zhivkov, last November, at first reacted angrily to the refusal to sign but later said he hoped the parties could reach agreement.

"I cannot understand why the signing of the document was used for childish political propaganda," he said, adding that all the parties agreed earlier this month to sign it.

Western diplomats who were invited to attend the ceremony said they were surprised by the opposition's decision.

"This is practically the real beginning of open confrontation," said one diplomat.

Risks 'high' for oil companies

By Steven Butler

A RUSH of western oil companies into East Germany was predicted yesterday by Mr Wilhelm Bonse, a director of Veba Oel, the West German oil company. , But he warned that the risks would be high.

Speaking at the European Petroleum and Gas Conference, sponsored by the Financial Times, he said East Germany would require DM7bn-DM10bn (£3.62bn-£2.53bn) to refurbish its oil marketing and refining industry.

"To start too early in Eastern Europe may lead to unpleasant financial results; to wait until all the terms and conditions are clear, may *result in losing the best chances to competitors,*" he said.

Mr Bonse said investments should only be made in the context of long-term strategy. There would be no quick return and liabilities would have to be taken over. In the long run business could be quite attractive, but it depended on the extent and pace at which the Government dismantled central planning structures and adopted free market institutions.

Primary energy consumption was expected to decline in East Germany as the the economy became more efficient. The economy was at least 46 per cent less energy efficient than West Germany's. However, rising efficiency would be achieved by a sharp reduction in the use of lignite, and oil and gas consumption could be expected to rise sharply, particularly as car use becomes more common.

Mr Bernard de Combret, executive director of international supply, trading and shipping at Elf Aquitaine, the French oil group, said the industry might be relatively less affected by the advent of the single European market because it was already international in character. However, he warned that elimination of border controls prior to tax harmonisation would lead to regional distortions in product flow.

Also tax harmonisation could affect inter-product competition and product demand, which could have potentially serious implications for trade.

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Press giants fight for new market

By Leslie Colitt in East Berlin

LEADING international media groups are jostling to get a foothold in the future united German press market, which is likely to be concentrated in Greater Berlin.

Mr Rupert Murdoch's News International has linked up with Burda of West Germany to gain a presence in Berlin even before it becomes the capital of a unified Germany – and thus an expected centre of German newspaper and magazine publishing.

Mr Robert Maxwell, the British publisher, is holding talks with West German publishers to gain a partner, with *the same goal.*

Both men are concentrating on East Berlin, where the hitherto monolithic party-controlled press is ripe for picking.

Mr Murdoch's recent wide-ranging co-operation agreement with Burda will see Sun-Day, the magazine sold with his Sunday title News of the World, and another News International publication, printed on Burda's presses in Darmstadt. The agreement also includes plans to run a printing plant jointly in the Greater Berlin area.

Yesterday a western company advertised in Berliner Zeitung, East Berlin's largest circulation newspaper, for a 300,000 sq m property suitable for a printing plant. It is also looking for 300 workers.

Berliner Zeitung itself, and several other publications, belongs to the Berliner Verlag, which is set to become part of Mr Maxwell's *London-based* Mirror Group.

At a news conference in East Berlin last week Mr Maxwell said he was close to agreement with Zentrag, a holding company of the Democratic Socialist Party, the successor to the Communist Party, which controls Berliner Verlag.

The British publisher's last foray into East Germany was to meet Mr Erich Honecker, the former Communist Party chief, just before he was overthrown last October. Mr Honecker's memoirs were published by Mr Maxwell's Pergamon Press, along with editions on the lives of Mr Leonid Brezhnev and other orthodox Communist rulers.

Mr Maxwell, a fluent German speaker, said he planned to invest several hundred million D-Marks in Berliner Verlag, in which he is expected to gain an initial share of just under 50 per cent. It is to become the vehicle for his future engagement in the German-speaking countries together with a suitable West German publishing partner.

Insiders noted that one such partner was just across the Berlin Wall, the publishing empire of Axel Springer. Springer's subsidiary, Ullstein, holds the rights to the titles of all the pre-war Berliner Zeitung publications and could take legal steps to enforce its claims. Axel Springer for its part might not wish to attack the East Berlin newspaper market alone, as it would probably run afoul of the cartel office in West Berlin.

Springer occupies a dominating position in the West Berlin newspaper market with Berliner Zeitung, Berliner Morgenpost and Bild.

It announced late last week that Berliner Morgenpost would link up with Der Morgen, the liberal party newspaper in East Berlin, as part of a series of joint ventures with East German newspapers.

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In North America, BASF Corporation now ranks among the top ten chemical companies. In 1989, it recorded sales of $ 5.4 billion, an increase of 8%, with 90% of its production achieved locally.

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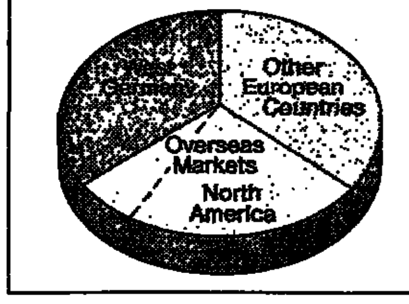

Looking Ahead

Extensive geographical diversification is just one major aspect of BASF's consistent performance over the years. Others include the Group's outstanding achievements in product innovation, its extensive range of products, its strategic long-term investments, and its solid financial base.

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EC rebuffs US plan to replace MFA curbs with quotas

By David Buchan in Brussels

THE EUROPEAN Commission yesterday rebuffed the US proposal to replace the Multi-Fibre Arrangement's (MFA) bilateral restrictions with global quotas, as a step backwards that would hurt the interests of developing, as well as developed, countries.

Speaking after an informal weekend meeting of EC trade ministers in Dublin which discussed stumbling blocks to the Uruguay Round trade talks, a Commission spokesman branded as "unacceptable" the US plan which would for the first time place restrictions on the textile exports of developed countries.

The EC is an overall net importer, buying so-called MFA goods – cotton, man-made fibre and wool products – worth Ecus 25.2bn (£18.5bn) from the rest of the world in 1989 and selling some Ecus 19.2bn of goods. But with the US, the EC had a Ecus 1bn textile trade surplus last year.

Brussels officials also claim that the US plan would have "a negative knock-on effect" on developing countries. The EC, with its own exports restricted for the first time, would feel less inclined to let in Third World textiles, they argue.

In contrast to the US call for a shift to global quotas over a 10-year period to free trade in textiles, the EC is proposing that existing MFA curbs be phased out entirely, provided Gatt rules and disciplines on subsidies and dumping are strengthened at the same time.

Wind of change may blow away textiles protection

Caribbean garment industry faces threat of a US end to preferential access, writes Canute James

THE Caribbean garment industry, pampered by preferential access to the US market, is in some discomfort. Proposals by the US Government to remove protection and administer its imports through global quotas will *cause what several officials say* is the inevitable collapse of an industry whose shipments are valued at $1.5bn a year.

The Caribbean has gained a place in the US market through bilateral agreements with Washington which have in turn led to rapid expansion of the industry over the past four years. But hopes for more of the same for the fastest growing sector of the Caribbean's light industry have been dashed by a message from Mr Ron Sorini, the US chief Textile negotiator.

He told Caribbean government officials and garment exporters at a recent meeting in Kingston that US proposals to dismantle the Multi-Fibre Arrangement (MFA) and integrate the textile and apparel trade into the General Agreement on Tariffs and Trade (Gatt) meant the days of bilat*eral agreements which allowed* preferential access were numbered.

"This proposal will have a devastating effect on the garment industry in the Caribbean," said Mr Peter King, chairman of the Caribbean Basin Textile and Apparel Council, a body created recently to deal with the effects of the US move.

The Caribbean reaction, officials said, was partly responsible for two concessions made by Mr Sorini. For the next decade, garments assembled from US fabric and re-exported to the US will not be subject to the proposed global quotas. Other garments, made of non-US fabric, and shipped to the US, are not to be subject to the annual 10 per cent quota reduction which the US is proposing.

At the end of the decade, *however, the region's garment* producers will have to fight without crutches for a share of the market.

'Even with a breather of 10 years, it is inconceivable that the region's fledgling industry would be able to compete against the high-volume, low-cost production of China, Hong Kong, Bangladesh and India'

"Even with a breather of 10 years," argued Mr King, "it is inconceivable that the region's fledgling industry would be able to compete against the high-volume, low-cost production of China, Hong Kong, Bangladesh and India."

The Caribbean countries have made quick use of the special programme to re-export garments which have been assembled *from fabric* made and cut in the US. In the bilateral treaties with Washington, the countries are given "guaranteed access levels" for specified quantities of garments under the programme, with duty paid in the US only on the value added in assembly.

The region's exporters are expecting shipments to the US this year to earn $1.7bn, four and a half times the value of exports five years ago.

The speed with which the region has grabbed the opportunities offered by the bilateral agreements with the US is illustrated best in the case of Jamaica. In the decade to last year, the value of the island's shipments grew by an average 56 per cent per year, from $7m in 1980 to $53.4m in 1985 and $245m last year. Employment rose from 6,200 in 1980 to 25,000.

The Caribbean Textile and Apparel Council has argued that what it described as a "Las Vegas" approach to the proposed auctioning of global quotas by the US will create uncertainty among US importers while preventing exporters from making orderly planning of production. But the region's producers are equally concerned about proposals by the International Textile and Clothing Bureau, made up of several larger producers in the developing world, including India and China.

This group is suggesting an immediate end to the MFA and to all preferential arrangements which have benefited smaller producers.

It is unlikely that Caribbean proposals for a continuation by the US of the special access programmes for the next 20 years will be entertained in Washington. While preferential trade programmes have been used in the past as a show of political support for favoured countries in the region, these would be against the wind of deregulation which is sweeping international trade.

Japan to present Gatt with new trade secrets plan

By Robert Thomson in Tokyo

THE JAPANESE cabinet is expected today to approve tougher regulations on unfair competition, paving the way for Japan to present a long-delayed proposal on trade secrets to the General Agreement on Tariffs and Trade (Gatt).

Japanese companies have been reluctant to bring legislation into line with international standards, for fear that the changes would bring a rush of litigation and because they disagreed over the definition of trade secrets.

But negotiations overseen by the Ministry of International Trade and Industry (Miti) have convinced companies that the changes are necessary, and Cabinet approval today, and then approval by the Parliament, are now regarded as a formality for a series of important amendments.

Japan has already delivered a submission on intellectual property to Gatt, but because unfair competition legislation is inadequate by international standards, the document contained no reference to trade secrets. The conspicuous absence had caused concern among the US, EC and other developed countries pushing for the adoption of rules on intellectual property.

The amendments to the Unfair Competition Prevention Law include *specific guidelines* on the use of injunctions, which have been imposed inconsistently by Japanese courts until now. The changes also put a greater burden of proof on the companies alleged to be using information illegally.

Trade secrets, or proprietary information, are more clearly defined and are said to include "technical or business information useful for business activities, including manufacturing and marketing methods". Areas covered include management know-how, experimental data, sales manuals and client lists.

A private survey of 1,000 Japanese executives in March found that only 20 per cent supported a tightening of trade secret laws, and that 64.4 per cent were happy to keep the present legislation.

Government officials said yesterday that corporate opposition to the changes had remained until the past few days, "but now we have a de facto consensus".

The Japanese parliament is expected to pass the legislation in coming weeks, and Miti will then be ready to prepare a formal proposal on trade secrets for the Gatt.

CoCom ready to increase high-tech exports to East

By William Dawkins in Paris

WESTERN TRADE officials have cleared the way for their governments to allow increased exports of sophisticated machine tools to Eastern Europe and the Soviet Union from next month.

A working group of CoCom, the Paris-based Co-ordinating Committee on Multilateral Export Controls, has agreed that machine tools capable of cutting metal to a slide position accuracy of plus or minus 6 microns (one-millionth of a metre) should be exported freely to the East.

Until late last year, the US, CoCom's leading member, was insisting that 10 microns should continue to be the limit.

The agreement, which must be rubber-stamped by next month's meeting of sub-Ministerial CoCom representatives, is the first practical result of a series of studies set up in February.

The studies were into liberalising a wide range of the industrial products which are at present subject to CoCom restrictions.

CoCom was established in 1951, during the Cold War, to stop exports of militarily useful industrial goods to the East bloc. It includes the members of Nato, minus Iceland, but including Japan and Australia.

Its next meeting on June 6 and 7 is intended to be CoCom's first big attempt to scale down controls, in order to reflect the enormous political changes now taking place in Eastern Europe.

Separate working groups are studying the possible liberalisation of two more classes of product, consisting of microcomputers and telecommunications equipment.

Diplomats expect an accord to allow the free export of 32-bit microcomputers. These are twice as powerful as the 16-bit machines at present allowed to be sold to the East.

However, there is much less agreement on telecommunications equipment, including optical fibres and digital packet switches.

While CoCom members accept that working telephones are essential to Eastern European countries' attempts to rebuild their economies, advanced telecommunications equipment could be much more useful to the Soviet military than the other products under discussion.

East Germany approves 1,145 joint ventures

EAST Germany approved 1,145 joint ventures by end-April, most of them for small or medium-size businesses, the official ADN news agency said, Reuter reports from East Berlin.

It quoted Mr Hermann Pflaum, head *of the authority* that advises and approves joint ventures, as saying 90 per cent of the businesses had been set up as limited companies.

About 60 per cent of the ventures are in the tourist or retail trade sectors and virtually all had West Germans as partners.

But Mr Pflaum said other countries were also taking an interest and the number of ventures in the production sector was increasing.

Hills drops Super 301 case against Brazil

MRS CARLA Hills, US Trade Representative, yesterday ended last year's "Super 301" complaint against Brazil, praising it for its "market-opening moves", Nancy Dunne reports from Washington.

The decision had grown out of Brazil's May 7 move to scrap quantitative import curbs and import bans, the subject of the inquiry.

Brazil had made "the right decision" to rely on tariffs rather than quotas, and set an important precedent, giving *"more certainty" to its import* regime. Now accords have been reached with Japan, India is the only nation holding out on bilateral settlement.

W African nations aim to strengthen economic union

SIXTEEN West African countries will try later this month to strengthen a 15-year-old economic union which has made little progress in developing the region, Reuter reports from Lagos.

"West Africa is increasingly becoming a laughing stock," Mr Abass Bundu, Executive Secretary of the Economic Community of West African States (Ecowas), said.

He told a diplomatic forum the group had to integrate almost 40 inter-governmental bodies if it was to make any progress.

The forum was organised by the Nigerian news agency NAN and the Pan African News Agency (PANA) ahead of a three-day summit of the 16 states planned for May 28 in Banjul, The Gambia.

"As long as we have this situation, dissipating scarce human, material and financial resources (and) competing with one another...I do not frankly believe that West Africa will be able to advance," Mr Bundu was *quoted* by NAN as saying.

The group's Lagos-based secretariat would also ask Ecowas heads of state at the summit to approve a revision of the founding treaty signed in Lagos in May 1975, he added.

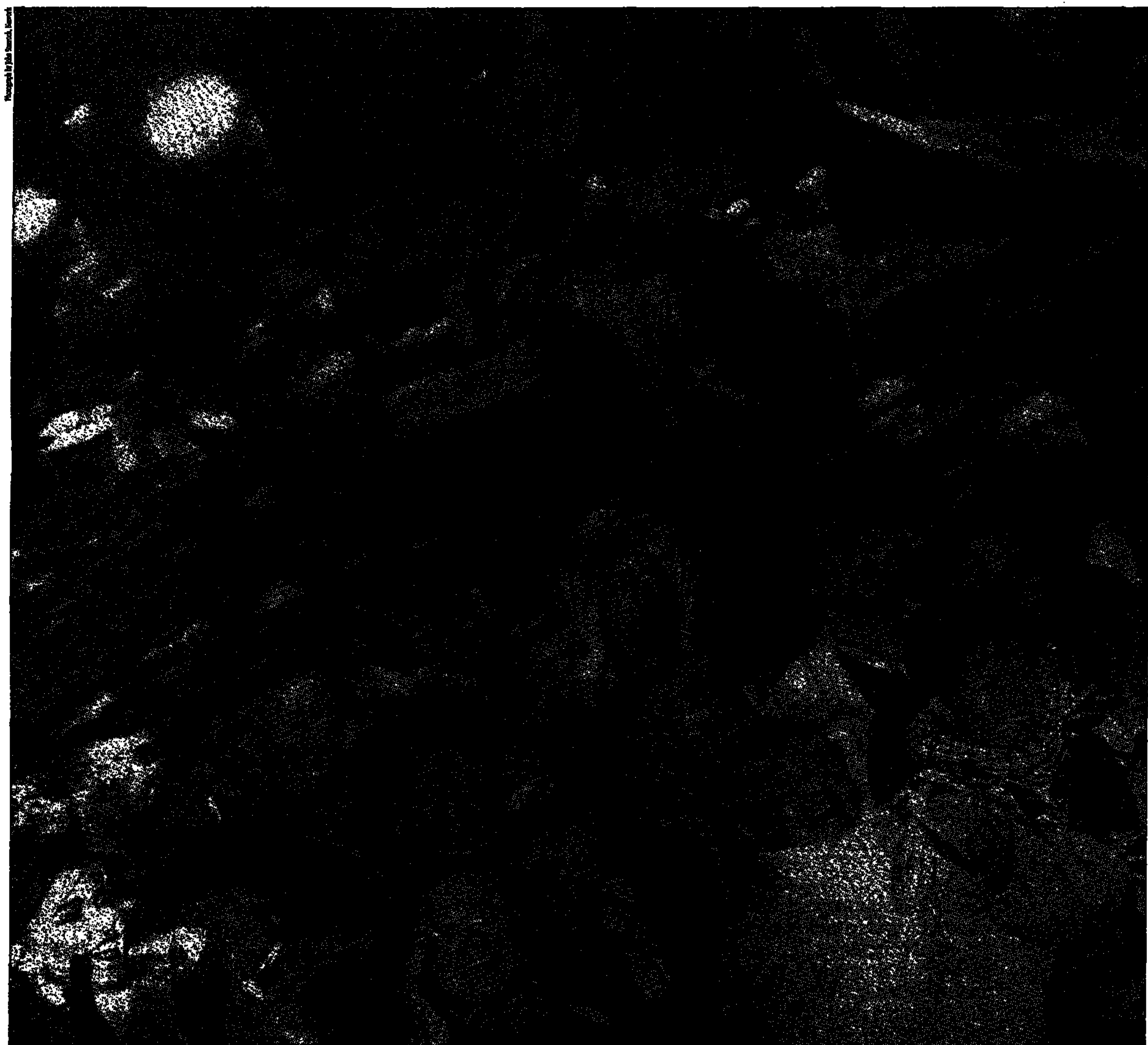
The revision would make community decisions binding on member governments without a need for ratification.

Mr Bundu said all but one member country had failed to ratify the 28 protocols adopted by Ecowas since its inception and this had seriously delayed implementing decisions.

Members would be asked to set up ministerial committees to carry out community decisions at national level and establish ministerial sub-committees to monitor activities community-wide.

Ecowas, made up of former colonies of France, Britain, Portugal and Germany, aims to eliminate trade barriers within the region and promote economic and political co-operation. It includes Ghana, Ivory Coast, Nigeria and Sierra Leone.

Mr Bundu said a timetable for monetary union was being prepared for presentation in Banjul. Ministers of information and foreign affairs would hold preparatory meetings before the summit.



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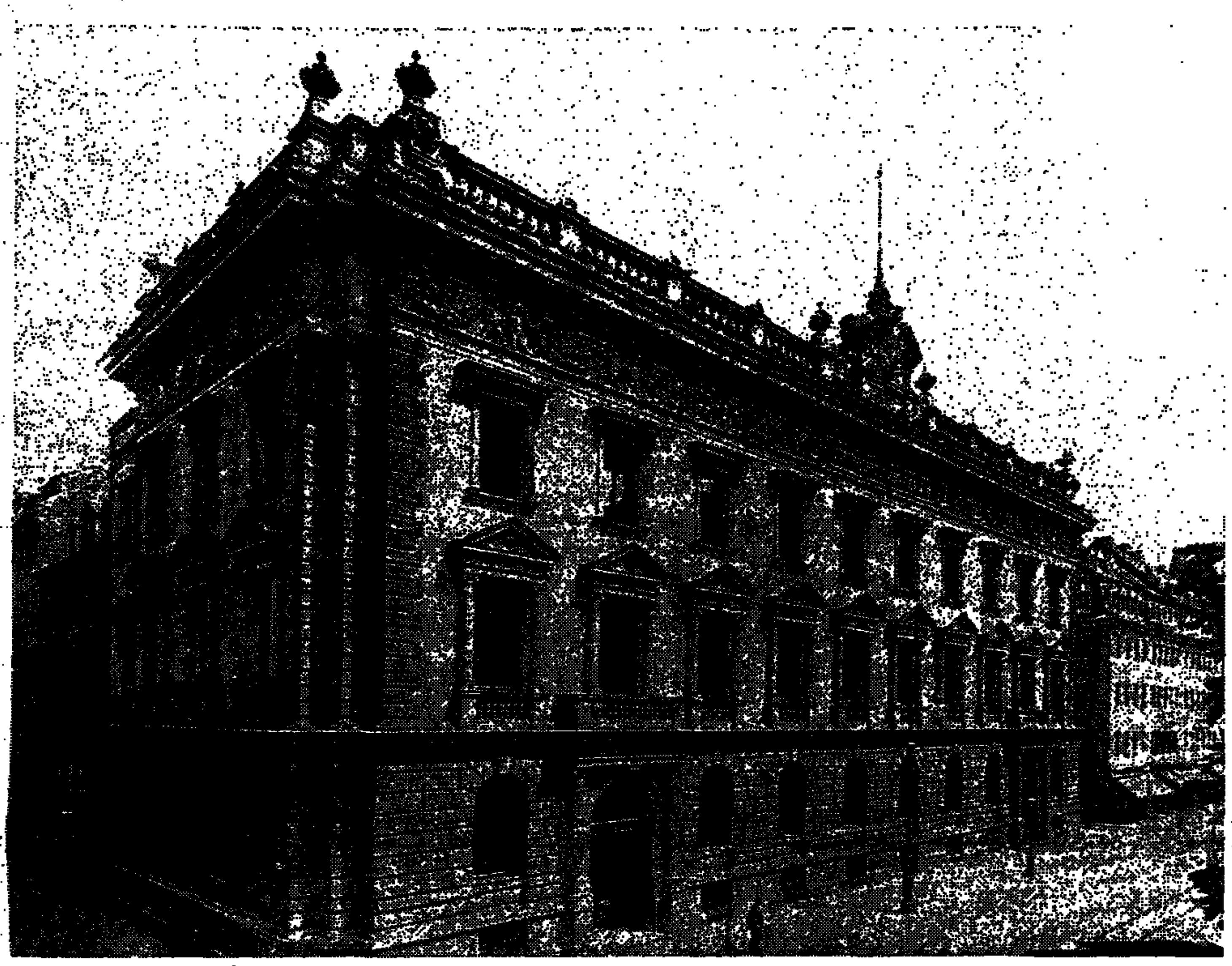

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US seeks tighter controls over federal enterprises

By Peter Riddell, US Editor, in Washington

THE US Treasury has proposed extensive *improvements in financial* controls and disciplines over government-sponsored enterprises with potential liabilities of nearly $1 trillion (million million). The aim is to avoid a repetition of the massively costly savings and loan rescue.

There is no immediate crisis but the Bush Administration believes it is desirable to take preventive action to avoid problems for privately-owned but government-sponsored and guaranteed enterprises.

These include the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) which buy homes loans from lenders and package some into securities for sale to investors and hold others. Together they deal with about a quarter of the US's home loans.

Similar enterprises are the Student Loan Marketing Association (Sallie Mae), College Construction Loan Insurance Association (Connie Lee), Federal Agricultural Mortgage Corporation (Farmer Mac) and the Farm Credit Association. They were set up to improve the flow of money to private borrowers for farming, housing and student loans.

Mr Richard Darman, the Budget Director, has warned of the scale of the potential liability from these bodies. If the farm-credit system, all savings and loans, commercial banks and credit unions are also included, these contingent liabilities total almost $6 trillion (£3,570bn), which Mr Darman has said is "totally outside of budgetary discipline and needs to be brought under control. There ought to be some cap overall on the Government's loan, loan-guarantee and government-insurance programmes". He has compared these liabilities to video game Hidden Pacmen waiting to absorb resources.

The Treasury has made two proposals. First, regulatory authority for the financial soundness of these bodies should be separated from the agency seeing whether they have fulfilled their congressional mandate; it should be undertaken by the Federal Reserve, the Federal Deposit Insurance Corporation or the Treasury.

Second, these government-sponsored enterprises should secure triple A credit ratings from at least two private credit-rating companies.

Mr Robert Glauber, Treasury Under Secretary for Domestic Finance, has argued that such a rating "represents the most safe and sound level of credit quality and thereby the best protection from potential risk". It would, he said, reduce "the need for another federal rescue".

Fannie Mae has improved its financial position considerably in recent years. There is some concern in the housing finance agencies about whether stricter standards would push up costs for home buyers and restrict involvement with riskier loans for low or moderate income housing.

Mr Glauber argued in congressional testimony last week that some of these bodies are "among the most thinly-capitalised of major US financial entities". Moreover, they "are not subject to the usual market-imposed disciplines of increased cost or reduced access to capital as their balance sheet leverage increases beyond normally prudent levels".

Bush envisages wide range of topics for Soviet summit

By Peter Riddell

DIFFERENCES on "a wide array of subjects" will be on the agenda of next week's US-Soviet summit in Washington, President George Bush said yesterday.

While expressing satisfaction with the results of last week's arms talks in Moscow on chemical and strategic weapons as ensuring that "we'll have a good summit", Mr Bush has been careful not to gloss over continuing difficulties, notably over conventional forces in Europe, German unification and regional problems in Afghanistan and Cuba. A bilateral trade treaty is likely to be put on ice until Moscow eases its squeeze on Lithuania.

A senior US official has suggested that there will not be the celebratory aura that surrounded the last two Reagan-Gorbachev meetings. Instead, the mood will be businesslike, taking the relationship a step forward, but not overselling the achievements.

Despite the absence of progress on a conventional forces agreement, Mr Bush said he still believed a treaty could be completed by the end of the year. "We've got to get that done. Until it's totally finished we've got to stay in close consultation."

The timing of a treaty could create problems within the western alliance since both US and Britain have insisted that a treaty must be completed before a meeting of the 35-nation Conference on Security and Co-operation in Europe is held to discuss a wider European dialogue and the involvement of eastern Europe countries. However, the Bonn Government is keen on an early meeting, in effect to provide international approval for the unification of Germany.

There are signs that the lack of movement on the Soviet side on conventional forces, especially aircraft numbers, is tied in with Moscow's continued opposition to a unified Germany being a member of Nato.

Presidents Bush and Gorbachev will next week be able to declare that most of the main issues on a strategic arms treaty – cutting stockpiles by around 30 per cent – have been completed, following last week's agreement on cruise missiles. But the remaining issues may take some time to sort out. A Soviet arms control team will be in Washington this week to discuss problems such as how to limit mobile land-based missiles such as the Soviet SS-24 and SS-25 and the US MX and Midgetman, the status of a new version of the SS-18 and controls over the Soviet Backfire bomber agreement.

The main outlines of the agreement have already come under fire from American conservatives. Mr William Safire, the New York Times columnist, yesterday accused Mr James Baker, the US Secretary of State, of having "caved in to basic Gorbachev demands all the way down the line".

US judge to decide on Guerin funds

By Tom Flannery in Lancaster, Pennsylvania

A FEDERAL judge in Philadelphia yesterday began his deliberation on the fate of some $2m seized by federal agents from Mr James Guerin, the former deputy chairman of Ferranti International who is being sued for fraudulently siphoning off $198.5m from some of Ferranti's subsidiaries.

Judge Thomas O'Neill is to decide shortly on whether the funds will be held by the US Government or released to Mr Guerin's former top attorney at International Signal & Control Corp (ISC), now Ferranti International PLC.

According to Mr Robert Goldman, the Assistant US Attorney on the case and lead prosecutor against Mr Guerin, a decision on the funds is expected by June.

The funds – which were seized under the pre-indictment provisions of US anti-racketeering laws – had been destined to be split between Mr Guerin and Mr William Clark,

James Guerin

the former general counsel of ISC who is alleged to have blackmailed Mr Guerin into a $2.75m severance agreement by threatening to reveal ISC's fraudulent activities.

Last week prosecutors asked Judge O'Neill to extend a temporary freeze on the funds for an additional 90 days. This was in order to allow time for final preparation of charges concerning Mr Guerin's alleged role in the violation of US embargoes against the sale to South Africa of electronic military equipment.

Violent end to campaign in Colombia

A CAR bomb exploded in a Bogotá suburb on Sunday night, injuring seven people, hours after campaigning closed for Colombia's presidential elections on May 27, Reuter reports from Bogotá.

A police spokesman said three people were hurt but a nearby clinic said seven people had been treated there for slight injuries. Nobody claimed responsibility. Police accuse drug barons, waging a nine-month-old war on the state, of planting at least seven car bombs which have killed more than 60 people in the last two months.

As the election campaign closed, Mr Cesar Gaviria, the ruling Liberal Party candidate, still appeared the favourite. Security had been tight both at his and the closing rallies of his main rivals, Mr Rodrigo Lloreda, of the Social Conservative Party, and Mr Alvaro Gomez, leading a breakaway Conservative group.

Police blamed the drug barons for the assassination of three presidential candidates *in the past nine months*. Mr Gaviria, an outspoken opponent of the drug traffickers, has received death threats.

Another candidate at high risk, leftist leader Mr Antonio Navarro, said he had not left his house since the funeral of Mr Carlos Pizarro, his predecessor as candidate, who was shot dead aboard an airliner in April.

The elections will decide the future of President Virgilio Barco's crackdown which provoked the drug war.

Japan denies aid claim by Peru candidate

JAPAN denied yesterday it had pledged financial aid to Peru if Mr Alberto Fujimori, the son of Japanese immigrants, became the country's next president, Reuter reports from Tokyo.

"We have no knowledge of any such promise," the Foreign Ministry said.

Mr Fujimori, who made an unexpectedly strong showing in first-round voting last month, predicted on Sunday that he would win the run-off poll on June 10 by a landslide and that international aid would then pour in.

Mr Fujimori said that Mr Javier Pérez de Cuéllar, the UN Secretary General and himself a Peruvian, had promised $1.6bn (£950m) from a "pool of donor nations" and the Inter-American Development Bank another $200m.

"Japan has also promised us a substantial amount and so has the European Community but I don't have the figures," he added.

Aylwin dares to shed light on Chile's dark past

Leslie Crawford on the appointment of a commission into human rights abuses

COLONEL Luis Fontaine was leaving his office on a sunny autumn afternoon recently when two youths dressed in school uniform walked up to him and shot him dead.

Col Fontaine recently retired from Chile's paramilitary police force, where he commanded the notorious and now-extinct intelligence unit Dicomcar. Among the unsolved crimes attributed to Dicomcar *are the abduction and murder* of three communist school teachers in 1985.

What appears to be the revenge killing of Col Fontaine only five weeks after former Air Force commander-in-chief Gustavo Leigh narrowly escaped a similar fate, has soured Chile's otherwise exemplary transition to democracy. The murder was claimed by three left-wing guerrilla groups, but the Government has not ruled out the possibility that right-wing extremists may be behind the attacks.

Patricio Aylwin has taken the riskiest decision of his political career by setting up a national commission to investigate human rights abuses under the former military regime. *The commission is* the first real test of President Aylwin's authority over the armed forces and his position is tenuous enough without the destabilising actions of paramilitary groups.

It is an open secret that Gen Augusto Pinochet did everything in his power to prevent the commission from coming into being. The general called President Aylwin five times on the day he was due to announce the formation of the commission, only to be told that the President was too busy to see him.

The inevitable showdown came on May 3. No official account was given of the stormy 40-minute meeting at the presidential palace, but *leaks from military as well as* government officials indicate that neither man minced his words. The general accused the president of conducting a defamatory campaign against the armed forces and his government. He complained about not being consulted on a number of legal reforms and he objected in the strongest terms to any investigation into human rights violations, arguing that this would only incite hatred and vengeance among Chileans.

Mr Aylwin replied that he was treating the former regime with far more generosity than the general had shown to the government he had overthrown, that it was not the function of a commander-in-chief to comment on legislation, and that he did not seek to put the armed forces on trial for its human rights record.

Gen Pinochet then threatened not to attend a lunch the president was offering to the commanders-in-chief the following day. Mr Aylwin warned the general that his absence could be interpreted as an act of insubordination.

Gen Pinochet sent his third-in-command, Gen Hugo Salas Wenzel, a former director of the disbanded CNI secret police. According to one government source, Gen Salas Wenzel was shouted down and humiliated by the other commanders-in-chief in a clear sign that the armed forces are no longer one happy family.

Mr Aylwin's strategy of slowly isolating the general appears to be working, but the plan is not without its pitfalls. "It requires nerves of steel," says Mr Sergio Bitar, a leading socialist who was deported to an Antarctic island concentration camp after the *1973 coup*, "and the Government must avoid transforming Gen Pinochet into a political martyr."

Neither does the Government have any reason to believe that the 57,000-strong *army is not* fully behind its commander-in-chief. The general's power may be waning, but it remains a force to be reckoned with. So the Government has made concessions.

The President's National Commission for Truth and Reconciliation has been given broad powers to investigate all human rights violations which resulted in death, but the names of those responsible for the repression will be edited out of its final report. The Government also appears to have reached an understanding with the military that only the most blatant crimes, such as the murder of the three school teachers, the assassination in

Aylwin: his riskiest decision

Washington of Mr Orlando *Letelier, a former minister of* the late president Salvador Allende, and the killing of Mr Tucapel Jimenez, a trade union leader, will be pursued by the courts.

There is also an unspoken assumption that, whatever the scope of future human rights trials, Gen Pinochet will not be touched. If the US could have its Teflon president, Chileans see the political sense of having a Teflon former dictator. What worries the military is that President Aylwin has unleashed a beast that he will not be able to control.

"This commission will have a very different outcome from what the Government intended," says retired Major General Alejandro Medina *Lois*. "It will be a popular tribunal of the worst Stalinist kind. How will it establish the truth without judging the armed forces?"

Others, such as Mr Adres Dominguez at the Chilean Commission for Human Rights, believe that the president's initiative will provide the military with an honourable exit.

"The political objective of the commission is to show the armed forces that the criminals in their midst are a minority. It will allow *the military to* recover their dignity."

Meanwhile, after floundering about for two months in search of an issue on which to fight the Government, Chile's right-wing parties have pounced on the chance to defend the honour of the armed forces.

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AMERICAN NEWS

New plan for Latin American debt

Leslie Crawford reports on a UN alternative to the Brady Plan

Latin America's debt problems could be resolved once and for all if industrialised countries pledged $90bn to finance debt reduction schemes, according to a United Nations report published in Santiago recently.

This is three times the amount committed so far under the Brady Plan, the debt reduction initiative launched by Mr Nicholas Brady, the US Treasury Secretary, in March 1989. The Economic Commission for Latin America and the Caribbean (Eclac) believes the Brady Plan will fail, like other schemes before it, unless it can overcome the serious problem of underfunding.

Eclac, a UN body based in Santiago, argues that the Brady Plan's $30bn will finance only a marginal 13-14 per cent net reduction in debt and debt servicing, at prevailing secondary market prices. It says this is simply not enough to allow Latin America to finance economic reforms and resume growth.

Eclac believes a trebling of resources to $90bn would reduce the region's debt burden to a level which would eliminate the risk of default and put Latin America on the road to recovery after the "lost decade" of the 1980s.

It arrived at this figure by subtracting the value of Latin American debt on the secondary market from the region's nominal debt burden, which totalled $422bn in 1989. The calculation assumed that the market was the most accurate assessment of each country's ability to service its debt.

"The global village could easily resolve this problem at a very low cost," said Mr Gert Rosenthal, Eclac's executive secretary and the top UN official in Latin America.

Only 5-10 per cent of the capital would have to be paid up front, said Mr Rosenthal, and the funding would be shared among the top 10 industrialised countries. Mr Rosenthal admitted that Eclac has yet to convince creditor nations that coughing up more taxpayers' money for debt relief is sound public policy and not just taking over the credit risk from commercial banks.

"At this stage, the proposals are more a wish than a prognosis," he said. The document, "Latin America and the Caribbean: Options to Reduce the Debt Burden" was presented to Latin American planning and finance ministers at a meeting in Caracas earlier this month. Among other ideas contained in the UN document are:

● The elimination of legal, regulatory, accounting and tax obstacles to debt reduction. Banks, for example, should be allowed to set loan loss provisions at secondary market prices rather than at their book value. They should also be allowed to amortise losses over a number of years. This would encourage banks to accept deeper discounts in buy-back operations and debt-for-bond exchanges.

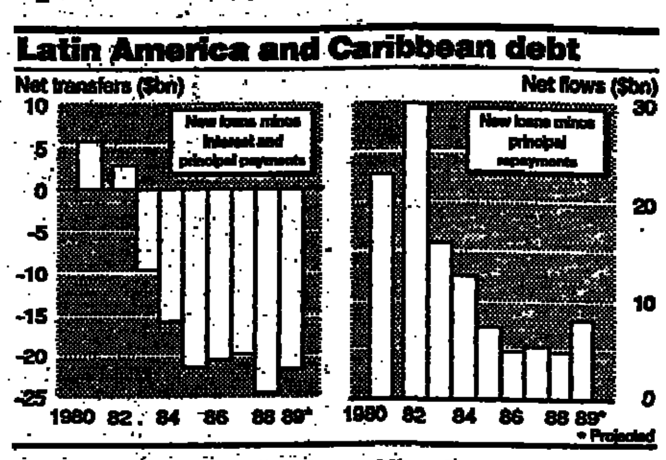
● The IMF, World Bank and Inter American Development Bank should extend grace and amortisation periods, given that many countries have fallen behind in their payments.

● The IMF, in drawing up adjustment programmes, should help a debtor country define in advance what levels of debt servicing are compatible with optimum levels of growth. This would determine the appropriate amount of debt reduction for each country.

The document warns that in the absence of these measures, more countries in Latin America will declare partial, or total, moratoria on their debt.

Fifteen countries in Latin America accumulated debt service arrears in 1989, and at least two of them – Bolivia and Costa Rica – restricted payments to win a breathing space in which to carry out fundamental economic reforms.

Mr Rosenthal said that the UN did not espouse this solution, but that it might be the second-best alternative for a region which has transfered a net $203bn to the industrialised world since the debt crisis exploded in 1982.



US denies super-computers to Israel

Israel has been disheartened by US reluctance to allow the export of supercomputers to Israel, AP reports from Washington.

Israeli scientists have begun research for an innovative system more powerful than anything the United States has now, university officials say.

Three Israeli institutions have applied for licences to buy Cray and IBM supercomputers, but the permits have been held up out of concern that Israel might use the fast-computing systems to develop nuclear weapons and ballistic missiles.

An inter-agency administration team has been considering the applications for almost two years, but so far has refused to yield to pressure from manufacturers and lobbyists.

Israeli officials say that preventing Israel from buying supercomputers will not stop the development of nuclear weapons. Israel is known to have developed such arms on its own without supercomputers.

"The writing's on the wall," said Maia Hauser, the US spokeswoman for Technion, Israel's leading high-tech university. "We'll have to go it on our own."

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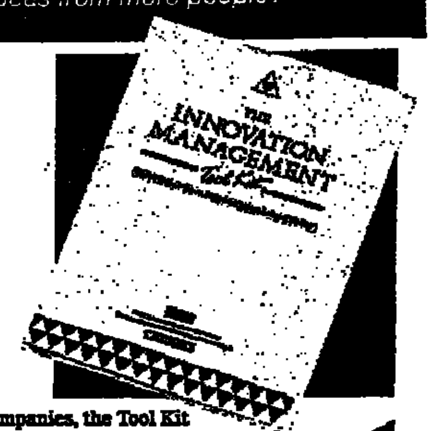

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Scientists ask China to release dissidents

MORE than 200 scientists asked the Chinese Government yesterday to release dissidents Fang Lizhi and his wife, Li Shuxian, and threatened to boycott all scientific conferences in China until the human rights activists were freed, AP reports from Washington.

The scientists, led by Soviet physicist Yuri Orlov, also urged the US to put more pressure on China to free the couple.

The Chinese Government accused Fang, an astrophysicist, of inciting the May 1989 pro-democracy demonstrations in Tiananmen Square, Peking. The Government has charged that Fang and Li are counter-revolutionary criminals and has said they must plead guilty.

Fang and Li, a physics teacher, have long spoken out for democracy and human rights in China.

The couple took refuge in the US Embassy in Beijing in June, and the Chinese Government has not allowed them to leave the country.

"We should try to push the opportunistic and insensitive US Administration in the right direction," said Professor Orlov.

President George Bush must decide by June 3 whether to extend most-favoured nation trading status to China.

The Administration is under pressure from Democrats in Congress and human rights activists to deny the preferential trading status because of China's crackdown on pro-democracy demonstrations last year.

The appeal includes petitions signed by 224 scientists, including several Nobel laureates. They were addressed to the Chinese Government through its Academy of Sciences and to US Secretary of State James A. Baker III.

The scientists also announced they would encourage boycotts of all scientific conferences in China until the Fangs are released.

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Notice that the agenda of the meeting and the annual accounts 1989 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of Depositary Receipts.

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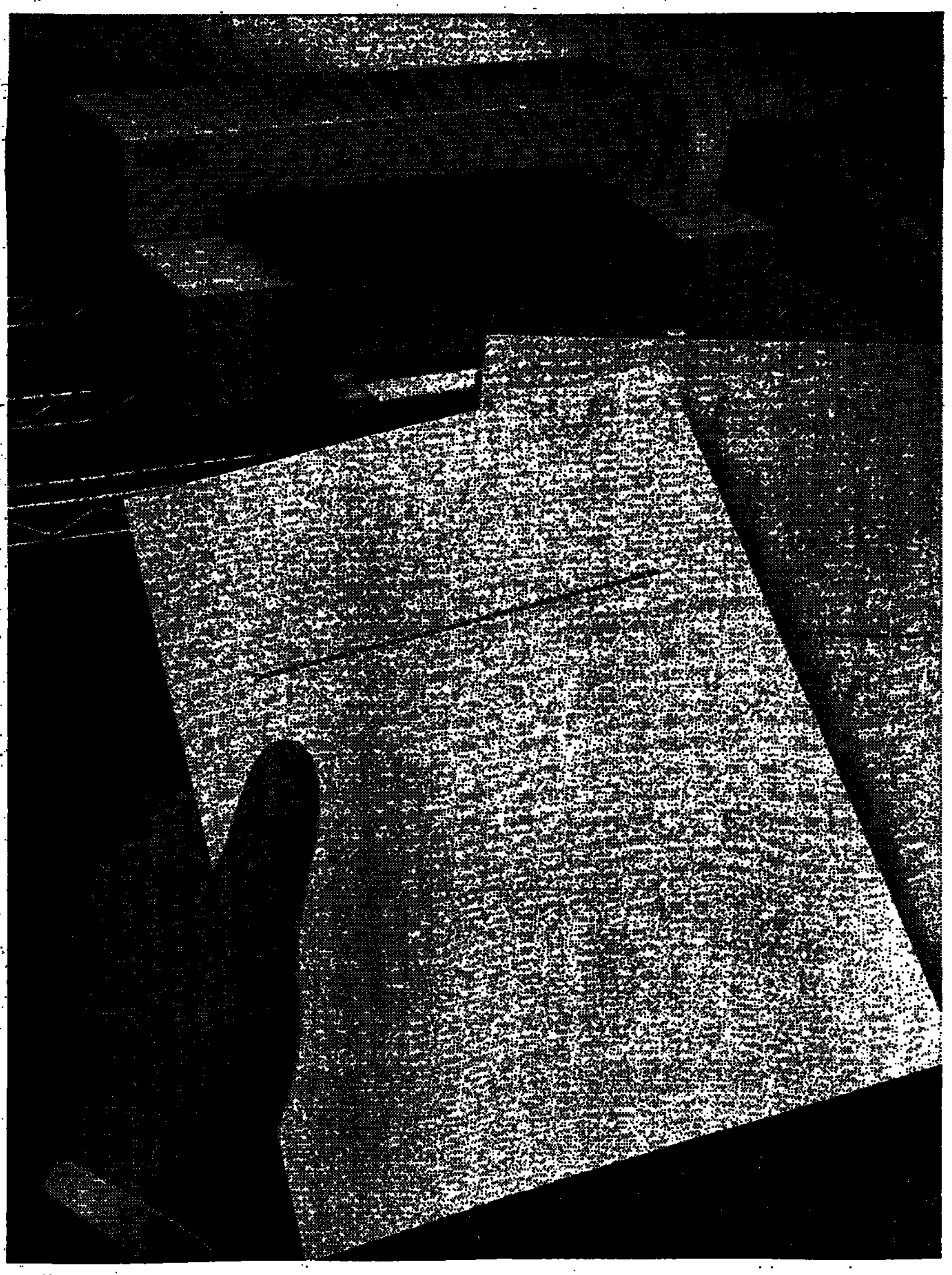

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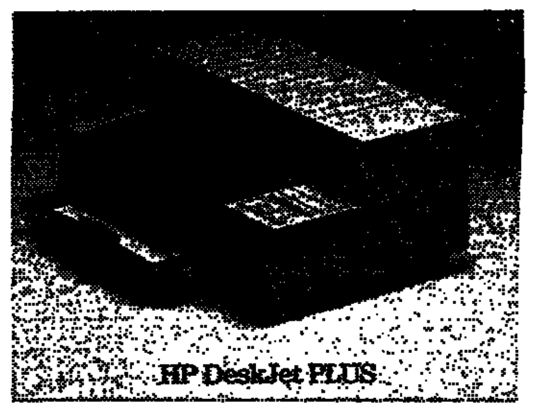

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HEWLETT PACKARD

THE POSSIBILITY MADE REALITY.

Singh under attack over election violence

By David Housego in New Delhi

THE administration of Prime Minister V.P. Singh appeared to be heading for a crisis last night over its failure to condemn electoral violence in the northern state of Haryana.

Both the opposition Congress Party and members of the ruling coalition have called for dismissal of Haryana government following serious allegations against Mr Om Chautala, chief minister of the state. Mr Chautala is the eldest son of Mr Devi Lal, the Deputy Prime Minister who is promoting himself increasingly as a rival to Mr Singh.

The Prime Minister has been strongly criticised for failing to act against the Haryana government. His main concern is that the dismissal of Mr Chautala's government could provoke the resignation of Mr Lal and a major split within his own Janata Dal party.

Both houses of Parliament were adjourned yesterday afternoon for the rest of the day after scenes of uproar in which the Congress party demanded that Haryana be brought under direct rule from Delhi.

Mr Singh bought temporary respite for himself by declaring that he would announce the cabinet's decision on whether or not to bring Haryana under President's rule before parliament meets today.

But Mr Singh' failure to reprimand Mr Chautala is already seen as a reflection of his indecisiveness as Prime Minister and of his shelving of the moral principles on which he fought the general election.

Mr Chautala, who took over from his father as chief minister of Haryana last year in a move that stirred controversy at the time, is currently seeking election to the Haryana Assembly. Unless he wins a seat by June 2, he will lose the chief ministership under the rules of the Constitution.

His first attempt last November to get returned from the Meham constituency ended with the election commissioner annulling the election because of ballot rigging and violence by Mr Chautala's followers. He thus stood again as candidate from two constituencies in bye-elections that were due to be held on May 26 – Meham and Darba Kalan.

At the end of last week the Meham by-election was annulled because of the murder of an independent candidate, Mr Amir Singh. Mr Chautala's supporters are widely alleged to have had a hand in this hoping to enable Mr Chautala to by pass the Meham constituency where he seemed likely to be defeated and to win Darba Kalan alone.

Mr V.P. Singh's failure to dismiss Mr Chautala has brought him under attack both from colleagues and coalition partners. Mr Devi Lal, who has already resigned once in defence of his son, has made clear that he will oppose the dissolution of the state assembly or of Haryana being brought under direct rule from Delhi.

Mr Rajiv Gandhi, the Congress leader, successfully exploited Mr Singh's embarrassment on Sunday by drawing massive crowds in Haryana at meetings that expressed disgust with the murder.

Separatists split Sri Lanka for 24 hours

By Mervyn De Silva in Colombo

FOR 24 hours yesterday Sri Lanka became two separate states as life in the predominantly Tamil north and the mixed-race east came to a complete halt.

All public and private road and rail transport stopped at the "border". Shops, schools and government offices were closed. No police or army patrols were to be seen in the two provinces, where the separatist Tamil "Tigers" have taken control.

The Tigers had called for a *hartal* (strike) to demonstrate solidarity with striking Tamil tea plantation workers in the island's central highlands.

Most worrying to the Government, and to the majority Sinhalese, is the reason for this strike rather than its spectacular success.

The tea plantation workers in the island's heartland have little in common with the separatist Tamils. They are Indian Tamil workers, not Sri Lankan citizens.

The Government recently decided to repatriate 100,000 of them under an Indo-Sri Lankan agreement signed 15 years ago. The Up-country Plantation Workers Union launched a protest strike. Its leader was arrested and the Tigers saw the opportunity to try to open a third front in its demand for autonomy in the north and east.

'Back to square one' as Israeli violence flares again

A lone gunman has exposed the drift in policies towards the occupied territories, writes **Hugh Carnegy**

SOME OF the most prominent leaders of the Palestinian intifada were to be found yesterday sitting beneath the spreading branches of a tall pine tree in the rose-scented east Jerusalem garden of the International Red Cross. The scene was cool and pleasant, far from the violence elsewhere, but the mood was one of deep gloom.

They were headed by Mr Faisal al-Husseini, the most senior public figure of the 29-month-old uprising against Israeli rule in the occupied territories. With a group of supporters, they were 24 hours into a hunger strike prompted by the convulsion of violence on Sunday in which seven Palestinians were shot dead by a lone Israeli gunman and a further seven died and 650 were wounded in a wave of protest riots that followed in the West Bank and Gaza Strip.

A few Israeli peace activists came to express their concern, among them Ms Yael Dayan, daughter of the late Moshe Dayan, the famous military commander. She summed up the atmosphere: "I have a dreadful feeling. I feel we are back to square one, back to the early days of the intifada."

Mr Radwan Abu Ayash, head of the Arab Journalists Association and until a few weeks ago a chirpy optimist, remarked bluntly: "I don't see room for optimism."

Sunday's events could scarcely have come at a worse time. They starkly exposed the drift in Israeli policies – especially towards the occupied territories – that has persisted since a coalition between the Likud and Labour parties collapsed in March over Likud's refusal to accept US terms for Israeli-Palestinian peace talks.

Mr Yitzhak Shamir, the Likud leader, remains caretaker Prime Minister. But he has yet to form a new government and is negotiating with extreme right-wing parties in order to do so. Meanwhile, he has continued to reject the US proposals – based on his own peace plan of a year ago – and has gone ahead with new Jewish settlements in the occupied territories which madden both the Palestinians and the US Government, which labels them an obstacle to peace.

In this climate, Israeli insistence that the man who gunned down the Palestinian workers on Sunday was an isolated case, no different from cases of deranged mass killers in the US or Britain, simply does not impress Palestinians.

"No one believes that in Gaza," said a Palestinian journalist in the strip, where the dead labourers lived. "What happened didn't come from nothing. It came from Israeli politicians making statements about Palestinians, denying our rights and treating us as less than human beings. All this increased hatred for us among Israelis."

Significantly, much the same line was evident in reaction elsewhere in the Arab world, underlining the extent to which frustration and anger with Israel has waxed in the Middle East in recent months. This will certainly be expressed forcefully at the Arab summit in Baghdad on May 28, reinforced by Sunday's killings.

A central part of the Arab concerns, which the summit will discuss, is the effect of the large flow of immigration to Israel of Soviet Jews, particularly the fear that many of them will end up being settled in the occupied territories.

Jordan – and the Palestinians – fear that one effect will be to push Palestinians out of the West Bank eastward into Jordan. The fact that far-right Israeli parties such as Moledet, which advocate exactly such a policy, have been in negotiation with Mr Shamir about joining a Likud government not surprisingly fuels these worries.

Arab countries have therefore recently been closing ranks against Israel and – with the exception of Syria – nodding their approval for the aggressive stance of Iraq's President Saddam Hussein, the summit host, who has recently loudly threatened Israel with retaliation for any attacks on Arab countries.

The present lack of at least some prospect of negotiations has also left those intifada leaders like Mr Husseini and Mr Abu Ayash, who advocate peace talks with Israel, at something of a loss. They fear a swing of Palestinian opinion towards groups like Hamas, the Islamic fundamentalist organisation, and factions of the Palestine Liberation Organisation which advocate the use of firearms in the uprising.

What all Palestinians in the occupied territories agree on, however, is that the intifada remains as entrenched as ever, despite Israeli army claims that it has been subdued. Although deaths before the latest upsurge had fallen, this may have had as much to do with changes in army use of live ammunition as with a reduction in demonstrations.

Much has been said since Sunday about the uprising being rekindled. But whether a sustained period of increased violence ensues, there is little doubt that the underlying rejection of Israeli occupation is unshaken. What happened on Sunday, wrote Israeli columnist Ze'ev Schiff, showed that "the basic conditions which led to the intifada not only have not disappeared but rather have deepened."

With the outlook in the region as a whole, as well as the immediate area, thus apparently deteriorating quite sharply, the Palestinian leaders on hunger strike yesterday called insistingly on the international community – and especially the US – to put pressure on Israel to engage in peace talks.

"I think we have reached the point where lights are flickering red all over the Middle East," said Dr Saeb Erakat, a prominent Palestinian academic, as he sat under the Red Cross pine tree.

Protesters wave the Palestinian flag during a demonstration in an Arab suburb of Jerusalem

China ends policy of economic austerity

By Our Foreign Staff

CHINA has ended a 20-month austerity programme and is willing to risk inflation as it rebuilds its battered industries, a senior Chinese economist told Reuters yesterday.

Lu Yonghua, a division chief at the State Commission for Restructuring the Economy, said some key market-oriented reforms; neglected after last year's military crackdown, would be resumed.

Consumer demand would be stimulated by low interest rates and extra loans would be granted to leading companies currently hobbled by debts, he said. Private rural enterprises would be encouraged again.

Price reform would also be attempted, he added, though more slowly than in the past. Lu expected it would take five to 10 years, eliminating China's present "two-tier" system.

Since China launched its austerity drive in the autumn of 1988 it has brought inflation down from 18 per cent in 1989 to 4.6 per cent in April this year. But it has wrought havoc in the economy, slowing demand, causing unemployment and making huge subsidies necessary for some industries.

Lu said reflation had already begun, with bank loans of 25bn yuan ($3.15bn) in the first quarter of the year to bail out industry. He predicted that with the measures he outlined, China would be able to attain a 5 per cent increase in industrial output value this year over 1989. The official target is around 6 per cent.

While China needs to stimulate its stagnant economy with the kind of measures Lu outlined, the current US threat to withdraw Most Favoured Nation treatment of China's exports because of Peking's present clampdown on dissent is probably a factor since China wishes to appear more liberal and reform-minded in American eyes.

Ivory Coast considers police strike demands

By Mark Huband in Abidjan

THE Ivory Coast Government was considering the demands of striking policemen yesterday in an attempt to end the latest in a series of protests which have disrupted Abidjan, the West African state's main city, police said.

They said a delegation of 20 striking policemen met President Felix Houphouet-Boigny, 84, and security ministers, who agreed to study demands. The president said he would formally respond on Saturday.

Hundreds of police officers blocked roads throughout the city at 9 am, cutting the centre of the city off from the surrounding residential areas. There have been no reports of casualties.

The police were demanding increased pay, improved working conditions and an end to the system of automatic payments to the ruling Democratic Party which are docked from salaries each month.

The strike comes one week after soldiers mutinied in the city and closed the international airport at Port Bouet, five miles from Abidjan.

Gendarmes were used to negotiate an end to the army mutiny last Wednesday. The Government gave in to the soldiers' demands that they be allowed to stay on in the army at the end of their two years' national service.

Many soldiers have difficulties finding work after leaving the army, because of rising unemployment.

Strikes by civil servants protesting about salary cuts during February led to the first signs of the Government weakening in its resolve to force through cuts in state spending. The salary cuts, which were intended to contribute to a $390m financing gap in the 1990 budget, were scrapped.

A World Bank economic recovery programme, which had cuts in state spending at its heart, is now under review.

Three more die in South African township clashes

HEAVILY-ARMED police officers yesterday patrolled the township of Thabong outside Welkom yesterday after three more blacks were reported killed during further clashes with police, agencies report from Johannesburg.

"Thabong is being declared out of bounds to the media because it is too dangerous," a police spokesman said.

At least one police vehicle was set on fire as groups of angry youngsters roamed the township outside Welkom in Orange Free State, witnesses said. Protesters armed with knives, axes and rocks used burned out vehicles, trees and burning tyres to set up barricades across some streets, they said.

Police said four people had been killed and about 40 injured on Sunday when officers opened fire on a protest by black residents returning from a rally.

However, Dr Flip Nel, superintendent of the Welkom Hospital, said three more people had died yesterday, bringing the death toll to seven. "It's very tense. Buildings have been burned out and it's not safe to move," said a journalist.

Police with semi-automatic weapons and shotguns patrolled the township in armoured personnel vehicles or set up roadblocks. Soldiers called in to help police on Sunday night were not in sight yesterday, witnesses said.

Racial tensions have threatened to boil over in Welkom, 200 miles south of Johannesburg, since armed white extremists began vigilante patrols in March. The residents of Thabong responded by boycotting white businesses. Further trouble erupted last Wednesday when two white mine workers were killed during a clash at a gold mine.

At Sunday's mass meeting, black leaders agreed to try to calm the situation by suspending the 12-day boycott.

Joint group studies report on political prisoners

THE South African Government and the recently unbanned African National Congress began yesterday to study a report on procedures for releasing political prisoners yesterday, Reuter reports from Cape Town. Both sides regard the issue as a serious stumbling-block to full negotiations.

A Justice Ministry spokeswoman said the two sides had received the report drawn up a joint government-ANC delegation, set up on May 4 after three days of preparatory talks in Cape Town between teams led by President F.W. de Klerk and Mr Nelson Mandela, the ANC deputy president.

A joint statement said the working group had to recommend, by yesterday, ways to define political prisoners, mechanisms to set them free and how to grant immunity from prosecution for political offences to prisoners inside and outside South Africa.

The ANC, the white government's main black opponents, see the issue as one of several barriers to serious negotiations on ending apartheid and creating a new non-racial constitution. Mr Jacob Zuma, the ANC intelligence chief, indicated at a news conference in Johannesburg that the document included a plan to grant amnesty for all political prisoners and political exiles, the South African Press Association reported.

The Government announced on Saturday that 38 leading ANC officials in exile, including Mr Oliver Tambo, president, who has been unwell, would have a three-month immunity from prosecution if they returned home.

No date has been set for resuming the talks, the first between the two sides. The working group is now to turn to other issues, including the repatriation of 22,000 exiled ANC members, a review of security laws and an end to the four-year state of emergency.

Affluent Japan becomes target of Colombia's drug barons

By Michiyo Nakamoto in Tokyo

THE recent discovery in Japanese ports of huge amounts of cocaine has confirmed authorities' fears that the country's wealth and the opening up of its markets are attracting more than just foreign businessmen and bankers.

Japanese police are concerned that South American drug cartels, facing a prolonged crackdown in their biggest market in the US, are increasingly turning their attention to Japan, where the potential market for cocaine could be enormous.

Last week, Japanese police found 42kg of cocaine, worth an estimated Y3bn (£11.7m) at the retail level, hidden in a Colombian vessel anchored in the port of Yokohama.

The incident brought the amount of coke found in Japan so far this year to a record 69kg, more than 70 times the amount confiscated only two years ago, and has alerted the authorities to the possibility that drug dealers are stepping up their efforts to build a cocaine market in Japan.

The potential is greater than ever before as affluence becomes more widespread. More young people are open to the idea of using drugs, and cocaine, which has similar effects to methamphetamines – the most widely abused drugs in Japan – is also much easier to use.

Until now cocaine has hardly been a problem in Japan. The amount the police have confiscated through the years has been minimal, ranging from a total of 1 gram in 1978 to 1.6kg in 1987. The situation changed dramatically last year when 13.7kg were confiscated, a record at the time. This year the amount confiscated in just the first five months, has been five times that record.

In most cases, the source of the cocaine was Colombia. While western countries are increasing their efforts to clamp down on narcotics abuse, the supply of cocaine itself is beginning to outweigh demand. Police believe the changing situation in the west is turning the drug cartels' attention increasingly to Japan.

Changes in Japanese society are making it much easier than even just a few years ago for drug dealers to build a market there. As a greater number of Japanese either travel or live abroad, more people are open to the idea of using drugs. The arrest in Hawaii last year of a famous Japanese actor, Shintaro Katsu, for possession of cocaine, created a stir in the Japanese media but there was little of the sense of shock that might have greeted such news 10 years ago.

At the same time, the large number of alien workers who have been flooding into Japan recently has also made it easier for the drug cartels to set up a network in the country. Police say Colombian women working in Tokyo are often used to pick up cocaine that has been shipped in.

The authorities' biggest fear is that the yakuza, Japan's organised criminal mobs, might become involved in the cocaine trade. The yakuza are involved in everything from gambling to prostitution, but their biggest money-maker today is methamphetamines from Korea and Taiwan.

What is keeping the market from taking off so far, the police believe, is that the yakuza and foreign drug dealers have not reached an agreement on price. "The dealers presumably think that since everything in *Japan is so expensive they can charge* an outrageous price for their cocaine," said one police officer. But for the yakuza, the high risks involved mean that without a high profit margin, cocaine is not worth it.

As long as the yakuza stay away from the cocaine trade, the prospects for the drug barons may not be as good as they hope. In Japan, they are likely to face the same sort of problems that foreign businessmen trying to sell conventional products face – the barriers posed by a difficult language and an insular society.

Iran-Saudi hajj talks collapse

By Victor Mallet in Dubai

SAUDI ARABIA and Iran were again at loggerheads yesterday over failure of negotiations for next month's hajj – the annual Moslem pilgrimage to Mecca – which Iranians will now miss for the third year running.

Saudi officials denied banning Iranian pilgrims and said the two sides had almost reached agreement when Tehran declared a boycott.

Statements from both countries suggested that the Saudis had refused Iranian demands for the right to stage anti-western demonstrations, although there are also differences over the Saudi quota system for pilgrims of various nationalities.

"The Saudi regime must *answer Moslems* as to why they would not be allowed to voice their anger at America, Israel and other Satanic powers during the biggest gathering of the world's Moslems," the Iranian Foreign Ministry said.

The Saudi Press Agency quoted an official as saying that Iran wanted "a declaration disavowing infidels".

During the 1987 hajj more than 400 pilgrims, most of them Iranians, were killed in clashes with the Saudi security forces following unauthorised demonstrations against Israel and the West.

Saudi Arabia broke off diplomatic relations with Tehran in 1988, and last week's hajj discussions in Riyadh – which were thought to involve Prince Saud al-Faisal, the Saudi *Foreign Minister*, and Mr *Ali* Mohammad Besharati, the Iranian Deputy Foreign Minister – were apparently the first face-to-face high-level contact since then.

The revolutionary Shia Moslem leadership in Iran and the conservative Wahhabi ruling family of Saudi Arabia continue to vie for influence in the Moslem world, not least in the Indian subcontinent. Both countries have expressed support for Pakistan in its conflict with India over the future of predominantly-Moslem Kashmir.

● Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait, has suspended legal action against pro-democracy activists campaigning for the restoration of parliament, while all 14 of those arrested have now been released on bail.

Between tragic nuclear past and unsure energy future

Plans for a reprocessing plant and dump have rekindled controversy in Japan, writes **Robert Thomson**

WHEN Japanese politicians have a project in mind that most prefectures do not want, they tend to think Aomori. The poorest prefecture on Japan's four main islands, Aomori has a US air base, a massive oil stockpile, the home port of a leak-prone, nuclear-powered ship and, *if all goes to plan*, the country's first nuclear waste dump and reprocessing plant.

Japan's electric power companies want to end their reliance on France and Britain for recycling fuel from the country's 37 nuclear power stations. Five years ago, the companies won initial approval to build the Aomori complex, which has become a poignant symbol in a country with a tragic nuclear past and an uncertain energy future.

Pressure is on the central government to give final approval for the recycling plant and waste dump, while an already approved uranium enrichment plant, intended to replace US sources, is more than half completed on the sprawling, windswept 5,280ha site.

An industrial zone was created a decade ago to attract investment to a region in decline, but the nuclear power industry was the only interested customer, and with the zone's development company Y134bn (£520m) in debt, a deal was struck to build the facilities near Rokkasho village.

Then came the Chernobyl nuclear power plant accident in the Soviet Union and, in the past two years, the strangely-delayed rise of a powerful anti-nuclear movement in Japan, which has forced changes in the plans for several nuclear plants and made the Rokkasho plant a prime target for protest.

Japanese governments prefer that an appearance of consensus be maintained on controversial projects, and routinely provides handsome budget handouts for the sake of the cause, but the anti-nuclear sentiment has made consensus in Aomori far more expensive than it used to be.

Mr Hiroshi Tsuchida, the newly-elected village chief of Rokkasho, explained that he is not opposed to the enrichment facility, though he campaigned on a promise to "freeze" the development of the entire project.

The meaning of "freeze", as interpreted by Mr Tsuchida, appears to be to progress with caution, and to build consensus in tandem with the facilities. This interpretation has angered the plant's opponents, who say that Mr Tsuchida's election promise has been broken. They have lodged a writ in the Aomori district court to stop the project.

Mr Tsuchida insists that he remains concerned about the project's safety but has left it to the companies involved to increase local acceptance from his estimate of 50 per cent to 75 per cent. It is thought in Tokyo that the Government will soon approve the reprocessing plant, which is due to begin handling waste returned from France and Britain in 1998.

"I hope that opponents will participate in the public discussion. Before the companies start commercial operations, I think that there should be more understanding," Mr Tsuchida said.

The Ministry of International Trade and Industry (Miti) has a nuclear fund intended to increase understanding by granting Y16bn to towns around nuclear facilities. The power companies are building a glossy Y3bn "PR Centre", as it is called, and have already organised 237 package tours for local residents to visit nuclear facilities in other parts of Japan.

A foreign nuclear industry specialist said that, despite the large sums of money involved, "Japan is still low on the nuclear public relations learning curve". He said the Government and companies have to accept that not everybody can be convinced to accept the role of nuclear power.

The 30 members of the Association to Protect Fishing Grounds from the Nuclear Facility, based in a small port near Rokkasho, are still to be convinced. They accuse the Rokkasho leadership of developing too cosy a relationship with the power companies and of showing prejudice against the plant's opponents in awarding government contracts.

"It is very difficult for people openly to oppose the facilities," according to Mr Tomekichi Sakai, aged 65, squid fisherman and senior organiser of the association. "We don't believe that a proper study of potential earthquakes has been done."

In the nearby fishing village of Sekinehama, the 362 members of the local co-operative have found that agreeing to live beside Japan's only nuclear-powered ship is a lucrative proposition. The fishermen have received Y1.7bn, the co-operative has a new two-storey headquarters, and Tokyo is building a new port for the fishermen's boats.

The nuclear ship, the Mutsu, made only one voyage, in 1974, and was found to be leaking radiation during the first few minutes of a power-up test. Ports around the country refused to accept the vessel, which now has a port of its own built at Sekinehama and is preparing for a controversial second voyage next month.

Aomori's popularity as a nuclear site dates to a pre-Chernobyl pledge by former prime minister Mr Yasuhiro Nakasone to make the area Japan's "nuclear peninsula". That promise is being kept with plans to build two nuclear power plants on Aomori's Shimokita peninsula, on the northern tip of Japan's main island, Honshu.

Mr Keichi Akiyama, head of construction for the Japan Nuclear Fuel Service Company, which is to build and operate the reprocessing plant, said Japan lacks raw materials and "has to establish a nuclear fuel cycle facility". JNFS is 69 per cent owned by the power companies, with 99 other companies, including shipbuilders, trading houses and banks, taking the other 31 per cent.

A separate consortium, the Japan Nuclear Fuel Industries Company, also led by the power companies and with wide corporate backing, is handling the enrichment plant and a low-level radioactive waste storage facility. JNFI also emphasises the importance of nuclear self reliance for Japan, which has plans to increase the nuclear share of power generation from the present 18 per cent to 49 per cent by the end of the century.

Greek-Israeli ties

Greece said yesterday it would officially recognise Israel, becoming the last European Community country to open full diplomatic relations with the state, Reuter reports from Brussels. Greece and Israel have had de facto relations since 1949.

UK NEWS

GMB agreement with Keiper Recaro seen as setting pace for 1990s

Union signs agreement under EC Charter

By Lisa Wood, Labour Staff

A SINGLE union agreement which incorporates the European Social Charter has been negotiated by GMB, the general union and Keiper Recaro, the West German seat manufacturer, which is relocating to Birmingham.

The agreement, which the GMB claims is the first of its kind in the UK, brings a number of benefits including worker representation on the board of the company, workers councils which will discuss terms and conditions and grievances and set one rate for the job throughout the plant irrespective of age and sex.

Mr Geoff Wheatley, GMB Birmingham and West Midlands regional secretary, said: "This agreement will set the pace for industrial relations in the 1990s. It provides the employment rights and conditions set down in the Social Charter which the GMB believes should apply to everyone at work.

"The union will be looking for agreements of this standard with British employers."

Keiper Recaro plans to employ 300 staff at the plant on Woodgate Business Park, Birmingham.

It is currently working with Birmingham Council to develop a compact training arrangement whereby the Council develops tailor–made training schemes for companies.

Birmingham, England's second largest city in central England, hopes to attract other overseas investors to the Business Park and is in advanced negotiations with three other foreign firms from France, West Germany and Japan.

Generating companies win greater access to main business markets

Power competition limits reduced

By David Thomas and Maurice Samuelson

ONE of the main limits to competition in the two-month old electricity market in Britain was raised yesterday by Professor Stephen Littlechild, the industry's regulator.

In a carefully balanced ruling, however, Prof Littlechild rejected pleas for a sweeping revision of the new privatised regime by National Power, the largest of the two new generators in England and Wales.

Under the existing regime, National Power and PowerGen, the other new generator, have been prohibited from jointly capturing more than 15 per cent of demand in any of the 12 area supply companies in England and Wales – a rule which was intended to last for four years.

National Power has launched an aggressive campaign to win the supply business of large electricity users, the only customers who at present are allowed to shop around for competitive supplies.

National Power asked the regulator to raise the limit in all 12 areas, while PowerGen asked for the limit to be raised in the four areas with the greatest proportion of industrial demand.

Prof Littlechild announced yesterday that he was raising the limits in the four "industrial" areas: the limit will be 25 per cent in South Wales and Manweb, covering Merseyside and North Wales; and 20 per cent in Northern and Yorkshire.

National Power and PowerGen will each be allowed to supply up to half of these new limits.

The decision is likely to be greeted with relief by most of the area companies.

They had feared a much more thoroughgoing revision of the rules and had warned the Government privately that this could endanger their flotation in the autumn.

Mr Charles Ryder, chairman of the Major Energy Users' Council, representing 125 large users, welcomed the decision as a step in the right direction, but warned that some large users would still be caught by the new limit.

It is understood, for example, that British Steel in South Wales and United Engineering Steels in Yorkshire, northern England, could still not allocate all their business to National Power without breaching the new limits.

Prof Littlechild also ruled that any supply contracts which would take either of the two generators' share of demand in the four industrial areas above 7 per cent must run for no more than a year.

This ruling is intended to prevent National Power or PowerGen signing long-term contracts before potential new entrants to the electricity market have had a chance to become established.

Prof Littlechild is understood to view his decision as a cautious one which will not disrupt the progress of the industry towards privatisation.

He said it would not have adverse consequences for the area companies or for the development of competition.

Nuclear industry warned of 2,500 jobs cut

By John Gapper, Labour Editor

ABOUT 2,500 jobs will be lost within the nuclear power industry by 1994 as part of a drive to reduce the cost of nuclear power, Mr John Collier, chairman of the United Kingdom Atomic Energy Authority predicted yesterday.

Mr Collier said talks with unions on a sustained reductions in the number of staff employed by the newly-formed Nuclear Electric authority were likely to start when detailed plans for job cuts had been drawn up.

He said he expected Nuclear Electric, which will take over responsibility for nuclear generation when the industry is floated, to reduce its staff of 14,000 by about 600 a year with the aim of reaching 11,500 by 1994.

Mr Collier, chairman of Nuclear Electric, said he expected the reduction in staff to cut the unit price of nuclear electricity only by "fractions of a penny," but it was needed as part of the effort to reduce nuclear costs.

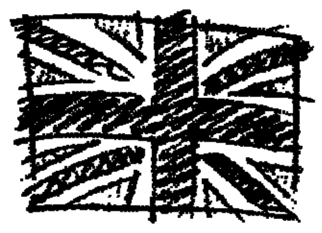
● Mr Eric Hammond, general secretary of the EETPU electricians' union, said that the union would "do everything in its power" to stop the electricity generators increasing their reliance on imported coal. Speaking at the annual conference of his union's shop stewards in the industry he said the use of more imported coal would undermine the security of power supplies to the industry's customers.

Today British Coal and unions in the coal industry meet and union leaders are expected to be told of the likely job losses if electricity generators import more coal.

Mr Hammond said he had written to the chairman of all the newly-privatised electricity companies to say that an increase in the imports of foreign coal would damage the coal and steel industries and the whole economy.

He said an increase in coal imports would expose Britain to fluctuations in the world energy markets at a time when demand will be rising "as the Third World and Eastern bloc countries begin to expand their moribund economies."

BRITAIN IN BRIEF



Gun driver may not face court

An appeals court prosecutor in Athens has proposed the dismissal of criminal charges against a British driver accused of hauling part of Iraq's alleged super gun into Greece.

Mr Peter Ashwell, 26, was detained on April 21 on charges of smuggling a weapon into Greece.

British officials had told Greek customs officials in the western port of Patras that the 30-ton steel tube on Ashwell's truck could be part of a giant artillery gun ordered by Iraq.

On May 11 the driver was freed on bail after a London newspaper, the Daily Mirror, paid 5m drachmas ($32,300). The proposal of Mr Nikos Tourloupis, the appeals court prosecutor, is binding in that Mr Ashwell will not face criminal charges, but he may be tried either for a misdemeanor or the case could be dismissed.

Fujitsu plans new R&D unit

Fujitsu, the Japanese computer and communications group, is to set up a wholly owned communication systems research and development (R&D) unit in Britain later this month to strengthen its development presence in Europe, the company said yesterday.

Fujitsu Europe Telecom R&D Centre would be capitalised at £200,000 and will research, develop and design information and communication systems for the European market.

The unit would employ 10 workers initially, rising to about 50 by 1994, the company added.

Customers get satisfaction

Customers who get a satisfactory answer to a complaint about faulty goods are more likely to buy the same product again than those who say nothing, according to a report by the Office of Fair Trading.

The OFT has sent the report on consumer loyalty to chief executives of leading manufacturing and service companies.

New evidence in bomb case

New forensic evidence means that the conviction of a family in 1976 for allegedly running an IRA bomb factory can no longer be considered safe and satisfactory, an inquiry was told yesterday.

The inquiry is the first stage of an investigation ordered by the Government into matters arising from the release last year of the Guildford Four, after their convictions on pub bombing charges were quashed.

Sir John May, a former Court of Appeal judge, is beginning his inquiry by looking into the cases of the Maquire family.

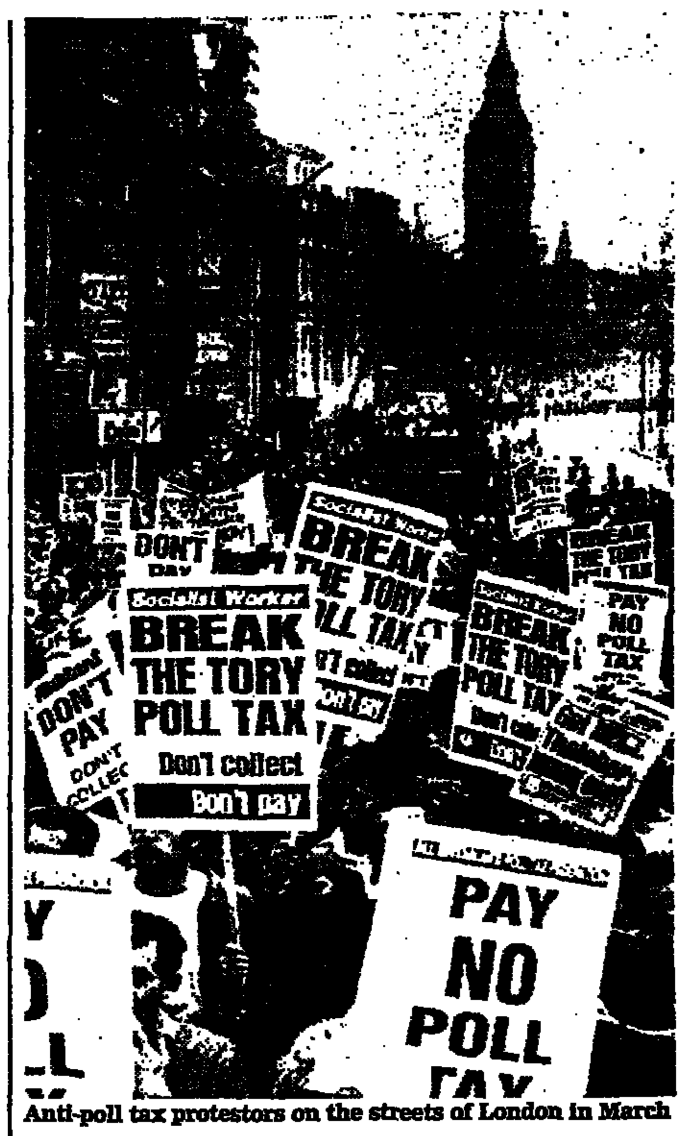
New study on ozone layer

A new £4.4m programme to study the destruction of the Earth's ozone shield, the greenhouse effect and acid rain was launched yesterday

The Science and Engineering Research Council said the seven-year research programme was designed to stimulate laboratory-based studies of the detailed chemical processes that take place when pollutants are released into the atmosphere.

Pilkington deal with Toshiba

Pilkington, the glass manufacturer, said yesterday that its micro-electronics unit had secured a technical collaboration agreement with Toshiba of Japan. The agreement, with Pilkington Micro-Electronics, calls for the development of logic chips, which perform the thinking functions of a computer.



Anti-poll tax protestors on the streets of London in March

Anti-poll tax march planned

The all Britain anti-Poll Tax Federation has announced plans to develop its campaign for non-payment of the new local tax to include a march from Glasgow, Scotland, to London in October.

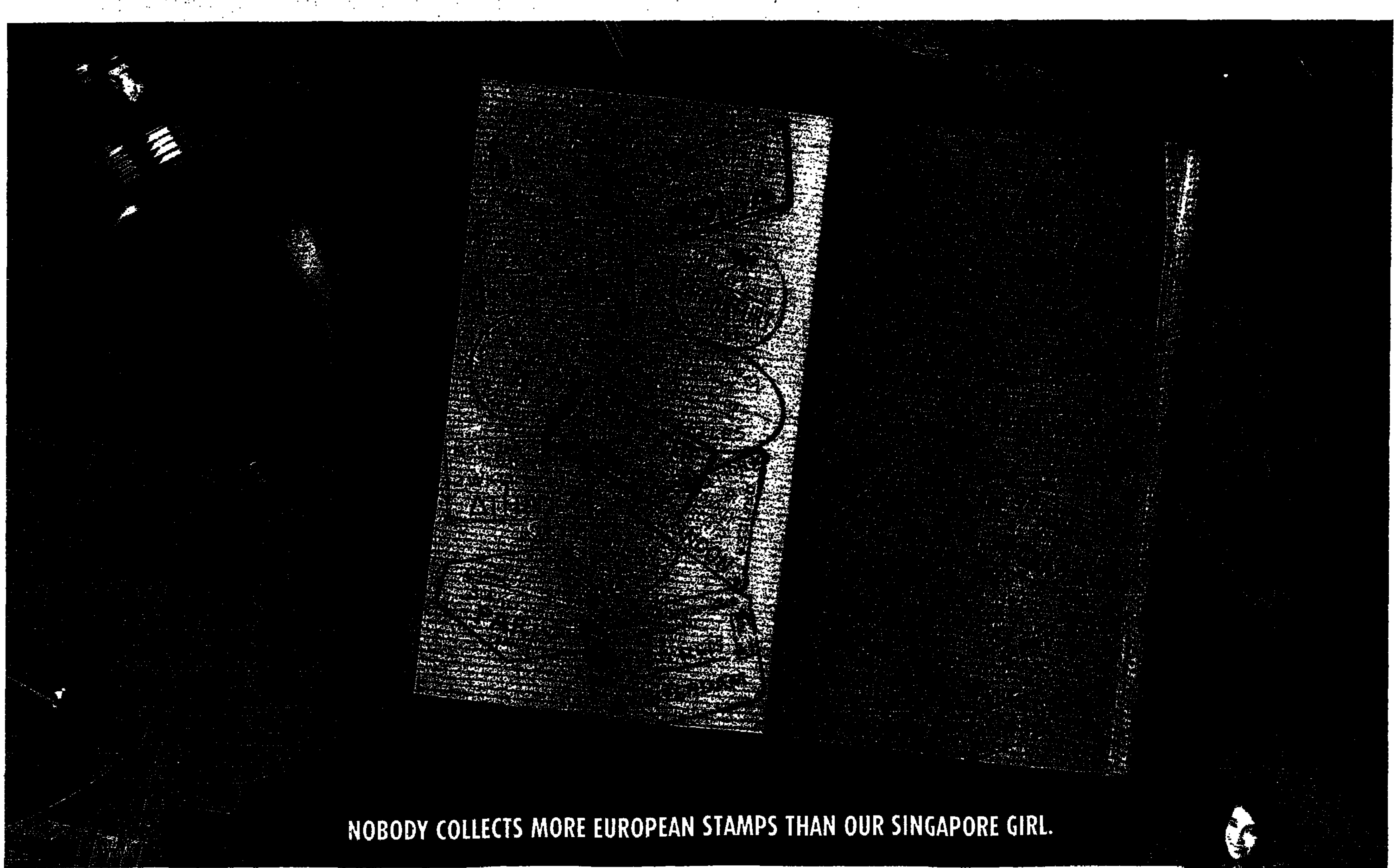
The march will start in September and organisers intend that it should end with a mass rally in London "to celebrate mass defiance against the poll tax" on October 13, coinciding with the political party conference season. The core body of marchers will be joined by secondary marches from South Wales and Merseyside.

The Anti-Poll Tax Federation, which is campaigning for non-payment of the community charge or poll tax, organised a rally in London in March which led to the worst riots on the British mainland for many years.

At a press conference Mr Tommy Sheridan, chairman of the federation, said that to prevent a repeat of the violence in October, the federation would employ more stewards.

"But we are confident that if we do not have the same level of police presence and intimidation we will have a peaceful demonstration and festival to meet the marchers," he added.

The federation said yesterday that it did not condone violence. Mr Sheridan said he estimated that more than 10m people in England and Wales were not paying the poll tax, which is levied by local councils to pay for services and amenities.



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To the Holders of the

11⅝% Debentures Due May 8, 1992

of

Pacific Bell

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4 of the Fiscal and Paying Agency Agreement dated as of May 8, 1985, between Pacific Bell (the "Company") and The Chase Manhattan Bank (National Association), as Fiscal and Paying Agent, and paragraph 10 of the Terms and Conditions of the above-mentioned Debentures (the "Debentures"), all of the outstanding Debentures will be redeemed on June 22, 1990 (the "Redemption Date") at the price of 101% of their principal amount plus accrued interest from May 8, 1990 to the Redemption Date (the "Redemption Price"). On the Redemption Date, the Redemption Price will become due and payable on each Debenture, and interest on the Debentures shall cease to accrue from and after the Redemption Date. On and after the Redemption Date, the sole right of the holders of the Debentures shall be to receive the Redemption Price.

Payment of the Redemption Price will be made upon presentation and surrender of the Debentures, together (in the case of bearer Debentures) with all appurtenant coupons maturing subsequent to the Redemption Date, at any of the paying agencies listed below. In the event any such unmatured coupons fail to be presented, the amount of the missing coupons will be deducted from the Redemption Price.

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1050 Brussels
Belgium

Chase Manhattan Bank Luxembourg, S.A.
5 Rue Plaetis
L-2338, Luxembourg Grund

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Coupons which matured prior to the Redemption Date should be detached, presented and surrendered for payment in the usual manner.

Payment on any Debenture made within the United States, including by transfer to a United States dollar account maintained by the payee with a bank in the City of New York, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds (including premium and accrued interest) if the payee fails to provide a paying agent with an executed IRS Form W-8 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. No such backup withholding will be required in the case of presentation of bearer Debentures for redemption with a paying agent outside of New York, New York, if payment is made outside the United States. Information reporting to the IRS will only be required upon such payment made outside the United States if made to U.S. persons in certain circumstances. Those U.S. holders who are required to provide their correct Taxpayer Identification Number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty of U.S. $50. Accordingly, please provide all appropriate certification when presenting the Debentures for payment.

PACIFIC BELL

By: THE CHASE MANHATTAN BANK
(National Association),
as Fiscal and Paying Agent

Dated: May 22, 1990

IPNA 2 N.V.

Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of IPNA 2 N.V will be held on June 6th, 1990, at the office of the Stichting in Amsterdam, Herengracht 320 at 11:00 a.m. in order to review the annual accounts of IPNA 2 N.V. 1989.

According to article 9 of the Conditions of Administration holders of Depositary Receipts who want to attend the meeting have to deposit their certificates at the office of the undersigned, at Herengracht 320, Amsterdam, on June 1st, 1990 at the latest or have to deposit on June 1st, 1990 at the latest at the mentioned address a statement from a bank that those depositary receipts are in the custody of such bank and that it will keep those depositary receipts in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts 1989 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of Depositary Receipts.

Amsterdam, May 22, 1990

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GEC set to forge links to compete against US

By David White, Defence Correspondent

GENERAL Electric Company of the UK is trying to forge a broad Anglo-French front to compete with US contractors in the next generation of radar for fighter aircraft.

The British company, which earlier this year took over Ferranti Defence Systems, the lead company developing the radar for the European Fighter Aircraft, expects to reach agreement in the next few weeks with Thomson-CSF of France.

This would be based on a collaboration pact which Ferranti made with the French state-controlled company last summer

However, GEC also wants to involve the other French airborne radar company, the newly renamed Dassault Electronique, in the studies.

GEC's defence arm, GEC-Marconi, was in talks with Dassault, formerly known as Electronique Serge Dassault, before the takeover of Ferranti Defence Systems was announced in February.

Thomson-CSF is working together with Dassault Electronique on the radar for France's new fighter project, the Rafale.

The scope of last year's Ferranti-Thomson link-up is thus being widened on both the French and the British fronts.

GEC has merged its own airborne radar business with Ferranti's, under the name of GEC Ferranti Defence Systems.

The planned collaboration with Thomson-CSF also brings in part of the Plessey operations which GEC took over last year.

It will use the former Plessey facilities at Caswell, Northamptonshire, in the east midlands, for work on gallium arsenide technology for electronic processing.

The future generation of "active array" radar is aimed at obtaining higher definition for discriminating between air targets.

GEC and Thomson-CSF envisage developing a "family" of radars using this technology, which would include ground radar systems.

A Tornado which failed to cause a storm

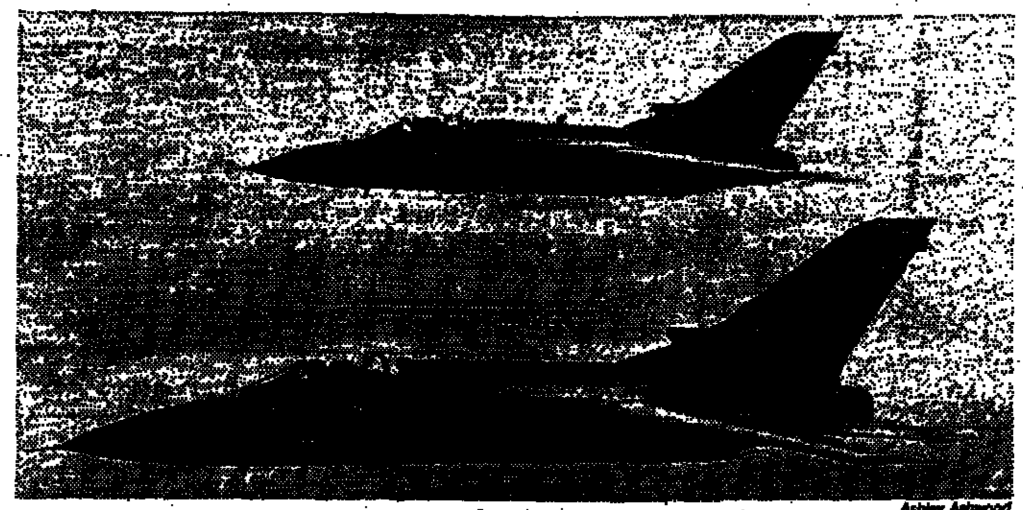
Malaysia's cancelled order is the latest in a series for the aircraft, writes **Paul Betts**

MALAYSIA'S decision to cancel a £400m order for up to 12 Tornado aircraft is a psychological blow for the Anglo-German-Italian combat aircraft programme.

It leaves Saudi Arabia, which has ordered 120 Tornados, as the only export customer for the combat jet. The three Tornado partners grouped in the Panavia consortium – comprising British Aerospace of the UK and MBB of West Germany with 42 per cent each, and Aeritalia with 16 per cent – had once held high hopes for Tornado's export prospects.

But with Malaysia's cancellation, three of the aircraft's four export customers have now pulled out of a Tornado deal. Last year, Jordan shelved a proposed plan to buy eight ground attack Tornado aircraft after failing to secure the necessary export credits from the three European nations. Prior to this, Oman had abandonned a plan to buy eight Tornado air defence aircraft opting instead for the smaller BAe Hawk jets.

The 25 year-old Tornado programme has so far cost the UK alone £11.7bn, ($18.48bn) according to UK government figures. But it is also regarded as a great success in that it has already sold 929 aircraft, largely to cover the three countries' defence requirements and NATO defence commitments.



Ashley Ashwood

(RAF) Tornados: popular with consortium member forces, but overseas sales are poor

The aircraft has also been a significant technical success with the original ground attack or bomber version regarded as one of the best aircraft of its kind.

With the big Saudi contract and anticipated aircraft replacement needs in the UK, Germany and Italy, Tornado sales are expected to approach the 1,000 mark over the next 12-18 months.

However, its export performance has not come up to the original expectations of the three partners. Britain in particular had high export hopes for the aircraft. From the beginning, the UK has headed the Tornado export drive and has looked upon the aircraft as a spearhead of the UK arms export effort in general.

MTU of West Germany and Britain's Rolls-Royce are also heavily involved in the Tornado programme as two of the principal partners in the Turbo-Union group which provides the engine for the aircraft. Both companies hold a 40 per cent stake in the engine programme with Fiat of Italy the remaining 20 per cent.

The loss of the Malaysian contract, disclosed in the latest issue of Flight International to appear tomorrow and confirmed by defence industry sources yesterday, could be offset for the British interests by the eventual sale of Hawk aircraft to Malaysia.

Negotiations are understood to be taking place between the UK and Malaysia to replace the original Tornado order, the backbone of a £1bn UK arms package to Malaysia signed in 1988, with the sale of more than 20 Hawks.

Ironically, such a deal would probably be more profitable for BAe because the UK group is responsible for the entire Hawk programme. However, at £25m each, the Hawk is a less expensive aircraft than the Tornado.

But coming on the heals of the lost Oman and Jordan contracts as well as the failure to sell Tornado aircraft to Spain, Greece, Kuwait and Indonesia, the Malaysian decision is undoubtedly a blow for the prestige of the three-nation aircraft. The European consortium has also failed for the time being to sell Tornado jets to South Korea, which recently opted for the McDonnell Douglas F-18. Negotiations are still dragging with Turkey over possible Tornado sales.

In the longer term, the principal problem for BAe and its other European partners is to ensure a smooth transition from the Tornado programme to the new European Fighter Aircraft (EFA), which will eventually replace Tornado as the new generation European combat aircraft in competition with the French Rafale.

BAe is anxious that the Tornado programme does not start slowing down before EFA production begins in the second half of this decade. Export sales are seen as helping to extend the life of Tornado at a time when the new EFA programme itself is under a cloud of uncertainty as a result of detente.

Sterling lending falls to its lowest level for three years as industry tightens budgets

Companies reduce debt burden as interest rates bite

By Rachel Johnson

COMPANIES have started to reduce their heavy debt burdens in response to the Chancellor's policy of high interest rates, official figures indicated yesterday.

The Bank of England said that sterling lending had fallen to £3.9bn – its lowest level for three years – as companies, especially in the construction and leasing sectors, took tighter control of their budgets.

Lower lending was greeted by the authorities and the City as evidence that the rate of corporate sector borrowing - running at historically high levels - is beginning to slow.

The Treasury welcomed the news that companies were beginning to repay borrowing after accounting for the bulk of lending. City analysts suggested that the corporate sector's profit squeeze must be easing if companies could afford to do this in a weakening economy.

Mr Peter Spencer, economist at Shearson Lehman, said that it was "obvious that the squeeze was not as tight as previously imagined."

The Treasury, however, received less positive news about the economy from other money supply data yesterday which revealed a worrying degree of consumer confidence in spite of a protracted period of high interest rates.

While bank and building society lending fell sharply, there was escalating growth in M0, which mainly represents notes and coins in circulation. The Treasury welcomed the slowdown in broad money growth, and cautioned against reading too much into the leap of its chosen monetary target, M0, which it described as "incredibly volatile."

M0 evaded the Treasury's target range to climb at an annual, seasonally-adjusted rate of 7.3 per cent. The indicator's monthly rise of 1.7 per cent – the highest since 1981 – also outstripped City forecasts to provide evidence of an unexpected buoyancy in consumer activity last month.

Economists ascribed some of the jump in M0 to the so-called "ice-cream factor" brought on by the Easter break and sunny weather.

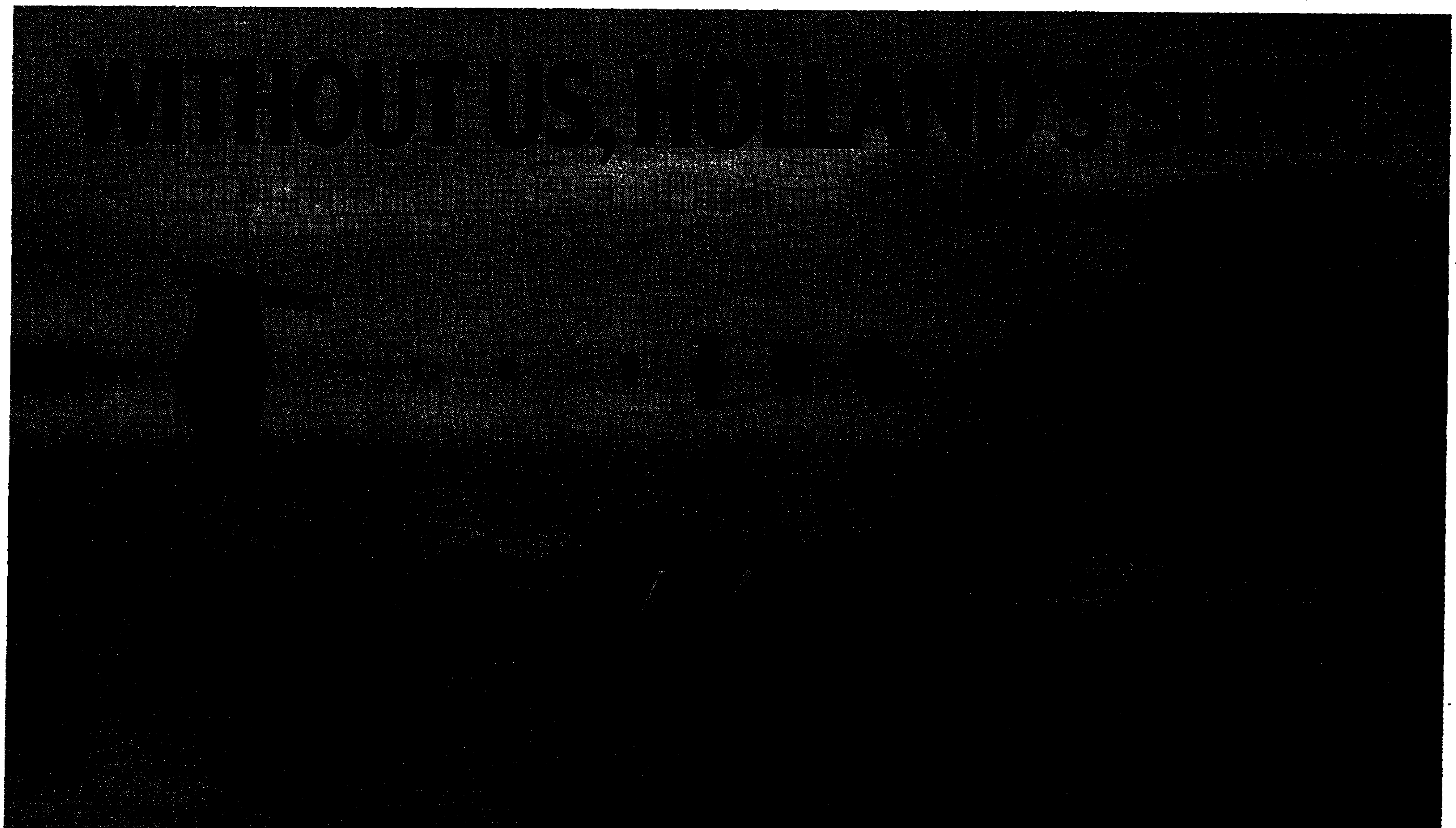
"This is a huge number," said Mr Simon Briscoe, UK economist at Greenwell Montagu. "Pay increases in cash coming through in April could also have contributed."

Analysts said the fact that companies could afford to do this gave clues that the corporate was proving impervious to the effects of high interest rates.

The pick-up in M0's three and six-monthly rates were said to complete the picture of consumer confidence so far painted this month by the retail sales figures and CBI/FT survey of the distributive trades.

In the markets – biding their time ahead of Wednesday's trade figures – the mixed money supply news were received with gains in gilt-edged securities and stocks, while the pound gained over half a point on its trade weighted index to close at 88.7.

The Treasury welcomed the slowdown in broad money growth indicated by the sterling lending figures, and cautioned against reading too much into the in M0.



February 1st 1953 is a date no Dutchman will ever forget.

Throughout the night a fierce storm surge in the North Sea had been piled onshore by gale force winds.

Just before dawn, horrified observers in Zeeland saw the giant sea dyke suddenly bulge and crumble.

By noon vast tracts of the country were under water. Two thousand people and 250,000 farm animals died.

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CHAIRMAN'S STATEMENT

Richard Hornby
CHAIRMAN

With 16% of all mortgage business in the UK, Halifax Building Society can draw on more experience than any other lender in the housing market. In spite of difficult market conditions in 1989, we turned that experience to producing a set of excellent results.

Our assets went up 18.6% to £47.9 billion, our gross profit also improved by 16% to £534 million. Most tellingly, net mortgage advances increased to £6.2 billion.

But financial results are not the only way we judge our performance.

The satisfaction of our customers is of most importance to us and so in 1989 we again improved and extended the services we offer.

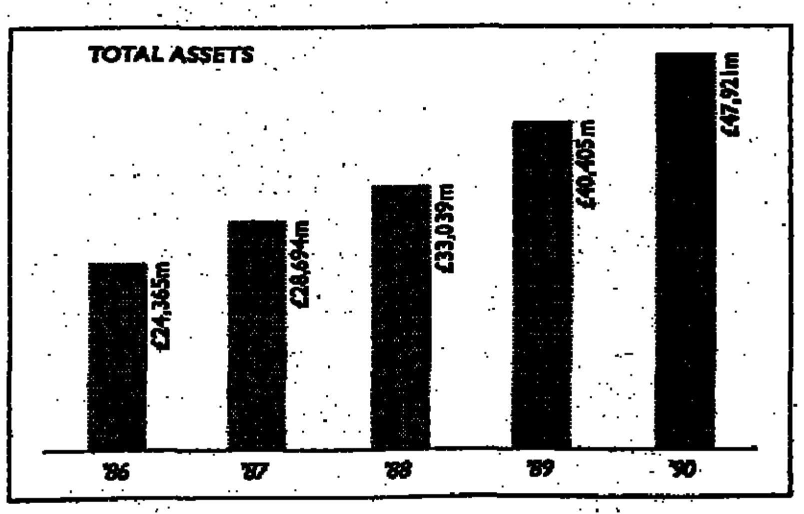
Our primary business is in housing and savings and the market last year was one of the toughest for years – for customers and building societies alike.

Investment and Savings

1989 saw further innovations in our portfolio of investment products.

We introduced a new premium rate product – Capital Xtra – and a regular income account – Monthly Income Xtra.

The market's response to this enhanced product range was particularly encouraging with over £23 billion flowing into our branches.



Banking Services

Perhaps the most significant launch of the year however was our MAXIM current account, which in the first three months alone attracted over 100,000 customers.

With MAXIM, the Halifax can now offer a full personal banking service from cheque book to credit card, from personal loans to travellers cheques.

Later this year, Halifax will launch its own SWITCH card facility which allows customers to pay for goods and services without having to write a cheque.

YEARS LIKE 1989 DEMONSTRATE WHY EXPERIENCE COUNTS.

Housing

During 1989, we undertook several initiatives in the housing market.

For example, we introduced a special discount for first-time buyers so helping those seeking to make their first step onto the housing ladder.

Our range of low start schemes was also improved and widened in scope and better terms on our Apex mortgages gave a helping hand to those wanting larger loans.

All of these moves help to keep us at the forefront of the mortgage market and we are committed to continued development of our Home Buying Service.

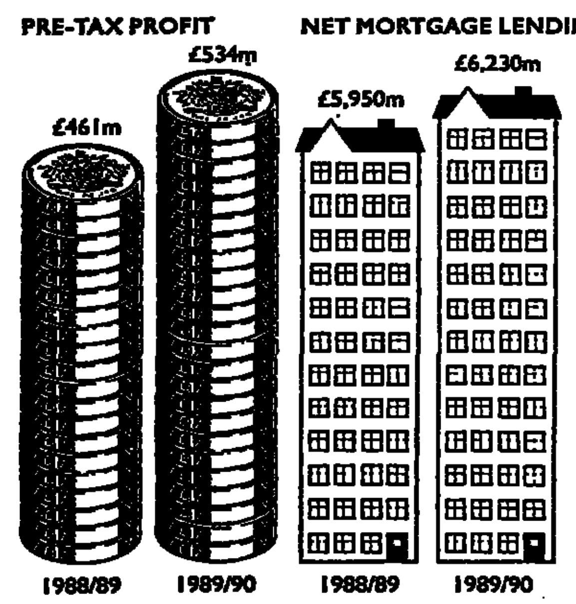
During the year, Halifax Property Services consolidated its position in an extremely difficult market. It will emerge leaner and fitter and well able to compete in the housing market of the future.

Customer Service

The major progress we have made in improving our branch facilities continues to free branch staff from routine administration allowing more time for discussing needs and offering advice to customers, tailoring financial packages to suit them.

A further major development during the year, in our quest to improve on customer services, was the extension of our Financial Services operation, offering a wide range of insurance products.

Our link with Standard Life, Britain's leading life assurance office, will help us extend our portfolio into Unit Trusts and PEPs.



Building on Strength

These results, initiatives and innovations show experience at work helping the Society to consolidate its position as the leading mortgage lender and to pursue its aim to be the No.1 provider of personal financial services in the UK.

HALIFAX

THE CONTENT OF THIS ADVERTISEMENT IS BASED UPON THE STATEMENT MADE BY THE CHAIRMAN, RICHARD HORNBY, AT THE SOCIETY'S ANNUAL GENERAL MEETING, 21st MAY 1990.
HALIFAX BUILDING SOCIETY, TRINITY ROAD, HALIFAX, WEST YORKSHIRE, HX1 2RG.

Why Hobsons' choice backfired

A public flotation can induce pressures that reveal endemic management weaknesses. Vanessa Houlder reports

Hobsons Publishing's career as a quoted company was short and sour. In 1989, the Cambridge-based educational publisher slid into loss and last month – little more than three years after joining the market – the company recommended an offer by the Daily Mail and General Trust.

In Hobsons' offices in a bicycle-strewn backstreet of Cambridge, Adrian Bridgewater, chairman, is frank about the experience: "We went public without understanding the management implications," he says.

Driven by the need for growth which it felt the stock market demanded, the company tried to expand quickly without an adequate system of checks and balances. The result was a devastating trio of problems: a flawed acquisition, an expensive but useless computer project and a widespread failure of financial controls.

By October, there had been a total collapse in controls, according to Trevor Bedford, one of the consultants from Ernst & Young brought in to review the company. "The cash flow situation had got out of hand. Nobody had been watching the bank balance and there was no monitoring of creditors or working capital."

The experience was an acute version of the growing pains that are frequently encountered by small, ambitious companies. Many of the problems lay with the group's structure, which evolved gradually since it was set up in 1974 as a spin-off of the Careers Research and Advisory Council.

The systems that developed were idiosyncratic, although they were adequate while the company was relatively small. "We did not really need financial controls when we met every Monday morning," says Bridgewater.

But Hobsons expanded quickly. From its origins as a careers publisher, it moved into directories and consultancy services and later branched into hotel and restaurant guides.

As it grew, it made some attempt to introduce more sophisticated controls. Soon after its placing it invested in a new computer system that was intended to monitor project costs and schedule titles as well as doing basic accounting work.

The software, which was written in-house, failed to work. The system was slow and clumsy and could not handle the volume of transactions generated by Hobsons' rapid expansion. With mounting frustration, Hobsons threw more and more money at it, taking the cost over £500,000. Bridgewater now reckons that an off-the-peg system costing just £80,000 would have done the job.

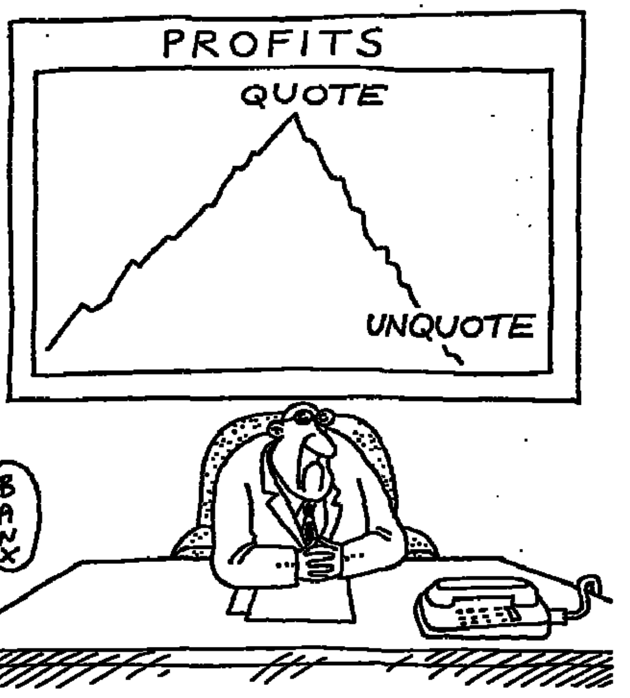
In part, Bridgewater blames the quality of the local computer company he uses and feels he would have done better to go to a London firm. The growth in the number of businesses in the Cambridge area – substantial though it has been – could have been greater had it not been "held back by the shortages of these kinds of service," he says.

Trevor Bedford, an accountant from Ernst & Young who was brought in to review the company and stayed as financial controller, diagnoses the problem as the "classic computer trap." "There was never sufficient communication between the finance department, the programmers and the publishers, so the software writers never got enough guidance or support," he says.

It has now been scrapped for everything but basic ledger work while a much more simplistic project control system has been started from scratch.

Hobsons' acquisition strategy ushered in yet more difficulties for the company. Part of the problem was that its clutch of acquisitions of magazine and book publishers spread the company out to Brighton and London.

The sharpest thorn in its flesh was Bodytalk, a health magazine and exhibitions arm which it bought in August 1988 and which went on to make a substantial loss last year. Problems swiftly emerged in Bodytalkand in May 1989, the vendors were dismissed and Hobsons launched proceedings for breach of warranties.



When difficulties first emerged, however, Hobsons was hampered by an agreement with Bodytalk which prevented it from intervening in the acquired company's management. This restraint related to the period during which a clause was in force deferring part of the purchase payment. The final payment was dependent on Bodytalk's profit performance; commonly known as an earn-out. Bridgewater is now vehement in his dislike of deferred payment deals, which he thinks makes people cut corners to reach their profit target. "Earn-outs are designed by corporate finance people to destroy businesses," he says.

Underpinning many of Hobsons' problems, however, was a poor cost structure. It had three income-producing divisions: learning materials; directories and advertising services; and consultancy services, which were backed up by production, financial services and editorial services.

Although the divisions budgeted sales and costs of sales, they had no real notion of their overheads. As a result they had no way of gauging the profitability of individual projects.

A result of the flawed cost controls was that expenses swelled from £2.82m to £4.33m last year as the salary bill doubled and Hobsons incurred the expense of running extra offices in London and Brighton. The company ended the year with a loss attributable to shareholders of £464,000 on a turnover of £8.4m.

"It was just overstaffed," says Trevor Bedford, the newly-appointed financial controller. "There was no cost-benefit analysis done on extra employees."

On the face of it, Hobsons had a strong financial division, with three qualified accountants. But partly thanks to the personalities involved, Bridgewater – who readily admits he is not a financial person – found it difficult to extract financial information from his finance team.

Now Hobson has introduced a new system to produce greater accountability. There is a director in charge of each division: recruitment, education, leisure and business-to-business. Each unit is allocated a proportion of overheads and monitors its expenses itself.

"We are vastly more cost aware," says Peter Learoyd, a 31-year old publisher of educational directories. "Before, when I was working out budgets, I was not taking into account copy sales, promotional budgets or salespersons' commissions. In retrospect, the budgets were not much use at all."

The new structure has yet to be fully tested and may change yet again under the aegis of the Daily Mail and General Trust. The direction it takes under its new owner, which will install a new managing director but keep the existing executives, divisions and headquarters, remains to be seen.

Hints on managing credit

Good credit management is crucial to business survival at any time but particularly at a time of economic downturn. A timely seven-point guide to the subject is included in a booklet* produced by Alex Lawrie, a factoring company.

● Evaluate the credit status of new customers by taking up a bank reference and and at least two trade references or consulting a credit reference agency.

● Define and agree credit limits with customers. Do not allow unlimited credit.

● Define and agree payment terms with customers. If you are in a competitive market you may have to allow reasonably long terms - of 60 days - though in an easier market you may be able to insist on less. Whatever you decide, tell your customers first.

● Make sure invoices are prompt and accurate. Record purchase orders accurately and process them rapidly. Show order numbers clearly and describe exactly what charges are for. State payment terms clearly on the invoice.

● Keep accurate records. The sales ledger must record sales, credit notes issued and adjustments to accounts. Invoices and payments should be entered as soon as they are issued or received.

● Follow up outstanding accounts. Check that customers have received invoices and ensure they have been "passed for payment." Don't hesitate to send reminders if payment is overdue. Be polite but firm.

Use telephone contact to establish what invoices are being paid; how much is being paid; when and how payment will be made; and the name and position of the person you are dealing with. Confirm significant points in writing.

● Reconcile payment against specific invoices. Some invoices are complex so you should be able to relate the figures shown to specific order numbers and amounts. A separate record should be kept of unpaid invoices.

** A Guide to Credit Management. Available from Marketing Manager, Alex Lawrie, Beaumont House, Beaumont Road, Banbury, Oxfordshire OX16 7RN. Free.*

CB

A tool kit for innovation

Charles Batchelor reports on a NEDO initiative

NEDO, the National Economic Development Office, has launched what it calls an Innovation Management Tool Kit to help British companies improve their capacity to change.

The Tool Kit consists of a series of questionnaires and manuals to enable management teams to analyse and improve their performance. It is intended for the 16,000 small to medium-sized manufacturing companies in Britain – those employing between 50 and 1,000 employees and with sales of between £1m and £100m.

This project, which has cost £250,000 and taken three years to prepare, is meant to counter what NEDO perceives to be an undue concentration by British management on surviving recession at the cost of planning for growth and introducing new products.

Chief executives, managers and employees are each asked to assess their company's performance in ten areas such as creating a company culture, internal communications, customers, technology and finance. Chief executives frequently view things very differently from their subordinates so all parties need to agree on issues and priorities, says NEDO.

The questionnaire asks people to say whether they agree or disagree with statements such as: Our company has an explicit mission statement. This statement is known only to senior staff. If profits are high we give innovation a low priority. My manager will interrupt me at home in the evening rather than take a decision over my head. In this company we shoot the bearer of bad news.

Once management has pinpointed problem areas the Tool Kit makes suggestions for further analysis and for the drawing up of action plans to find solutions. Some companies may be able to help themselves but others may need to call in outside consultants, says NEDO. The Tool Kit is published by HMSO and costs £250.

A common objectif for 1992

Charles Batchelor reports on an Anglo/French venture

The chairmen and managing directors of 25 small and medium-sized French businesses met their counterparts from 100 British companies in Brighton last week as part of an unusual French initiative to forge international links ahead of 1992.

The French and English companies will spend the next few months attempting to negotiate joint ventures, partnerships or distribution agreements.

The co-operation programme, known as Eurobjectif, has been launched by the Economic Development Board for the *département* of Essonne, to the south west of Paris. Essonne contains a high number of public and private sector research establishments which have spawned many high-technology start-ups.

The activities of the French companies range from telecommunications to robotics, architectural partnerships, to interior design. For most a link with a British company represents their first step towards establishing a European dimension to their business, according to Yves Jego, director general of the Economic Development Board.

The Essonne initiative arose from the approach by a British firm of architects to a French architectural practice. The development board decided to launch a broader programme and 350 chief executives of small and medium-sized Essonne companies were invited to take part.

Among the French companies which took part were SIPEG, a designer and installer of prefabricated concrete wine cellars with annual sales of £4m; CETRA, a research and development company in the field of micro-electronic engineering; and Lutrana, a manufacturer of electronic weighing machines with £25m turnover.

The French companies had expected British small firms to be insular in their approach but they had been surprised by the strength of interest shown.

Contact Commercial Section of French Embassy, 21-24 Grosvenor Place, London SW1, Tel 071-235 7080 or Comité pour le Développement Economique de l'Essonne, Espace Europe, 5-7 rue François-Truffaut, 91042 Evry CEDEX. Tel 1 64 97 79 89.

In brief...

■ Employment growth in the small business sector has run its course, at least temporarily, according to the latest National Westminster Bank quarterly survey* of small business in Britain.

Marginally more small companies expect to shed labour in the first quarter of this year than anticipate an increase in staff, the first time this has happened in the six years the survey has been published.

Seventeen per cent of the 1,000 companies polled said they expected a fall in the number of employees while 15.3 per cent forecast an increase.

The small business sector continues to expand, though at a slower rate than previously. Increased sales are expected by 38 per cent of companies surveyed compared with 49 per cent in the previous quarter. Interest rates headed the list of problems confronting small businesses with 27.5 per cent of respondents mentioning this issue followed by low turnover (15.4 per cent) and cash flow and payments (13.5 per cent).

** Published by Small Business Research Trust, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 0908 655831. £15 per copy.*

■ The Small and Medium Enterprise Centre at Warwick University Business School has launched what it believes is Britain's first university-accredited diploma in small and medium-sized business management. The course is a one-year *distance-learning* programme.

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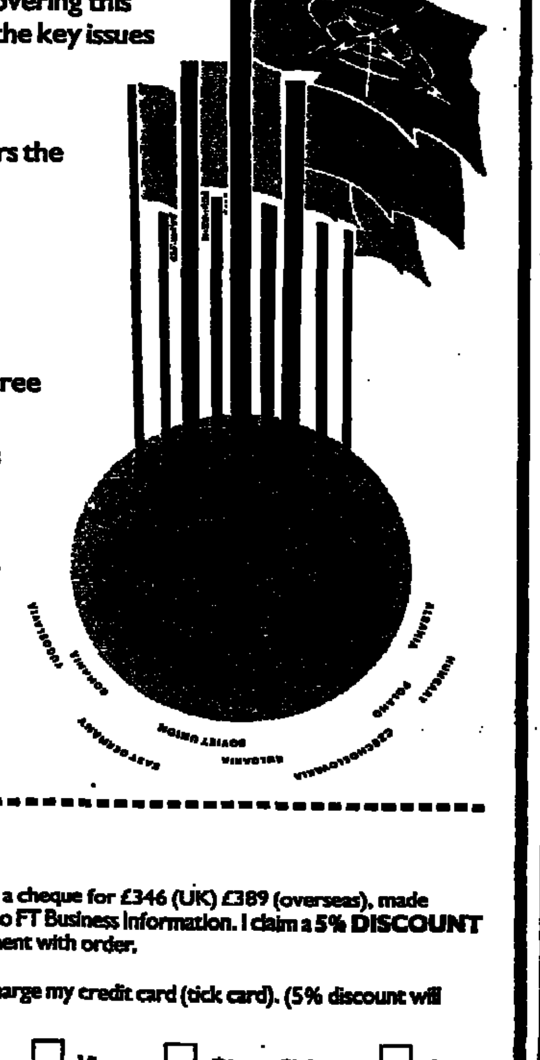

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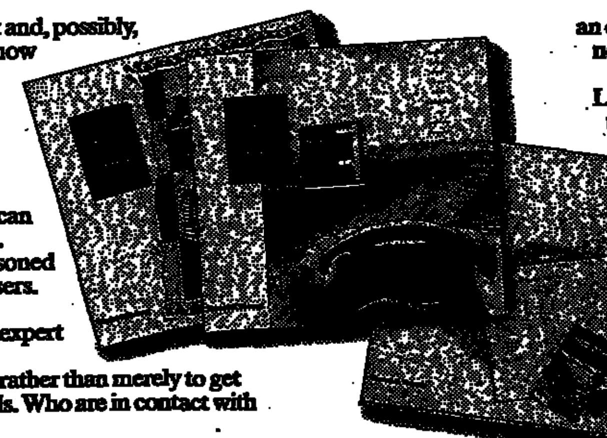

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T/O £1.5M

The business, which is both retail and trade based continues to expand. Freehold property available if required.

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Tel: 071 390 8748/9

BIRMINGHAM
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Tel: 021 454 6160

LEEDS
3rd Floor, Yorkshire House, Greek Street, LS1 5SX
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(IN ADMINISTRATIVE RECEIVERSHIP)

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The business comprises electrical and mechanical installation, manufacture and installation of integrated energy management and environmental control systems throughout the UK with substantial order book and existing contracts.

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Spicer & Oppenheim & Partners
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Newcastle upon Tyne NE1 6EA
Telephone: 091 261 4111 Fax: 091 232 7665

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For further details please contact the Joint Administrative Receivers:
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FOR SALE

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Telephone 071-493 2550. Fax 071-629 9444.

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Eaglescliffe, Cleveland

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* Skilled workforce currently retained by the Receivers
* Recent turnover is estimated to be in excess of £3.5m

For further details please contact; D M Middleton or G S Goldie
Joint Administrative Receivers, Cork Gully, Archbold House, Archbold Terrace, Newcastle upon Tyne, NE2 1DQ.
Telephone 091 281 3513, Fax: 091 281 7492, Telex 537772.

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SEC-PHARMA is seeking a qualified partner to provide operating capital to complete the remaining registration work for the antiviral chemotherapeutical product and to provide the funds for the continuing of commercialisation of the Pharmaceutical - and OTC products.

Contact address: SEC-PHARMA SA, Attn.: Lawyer François Bon, KPMG-Fiduciaire Juridique et Fiscale de France, 41, Chemin des Mouettes, BP 1006, F-26010 Besançon, France.

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THE BUSINESS SECTION ALSO APPEARS ON PAGE 31

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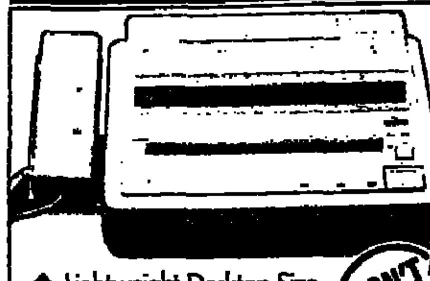

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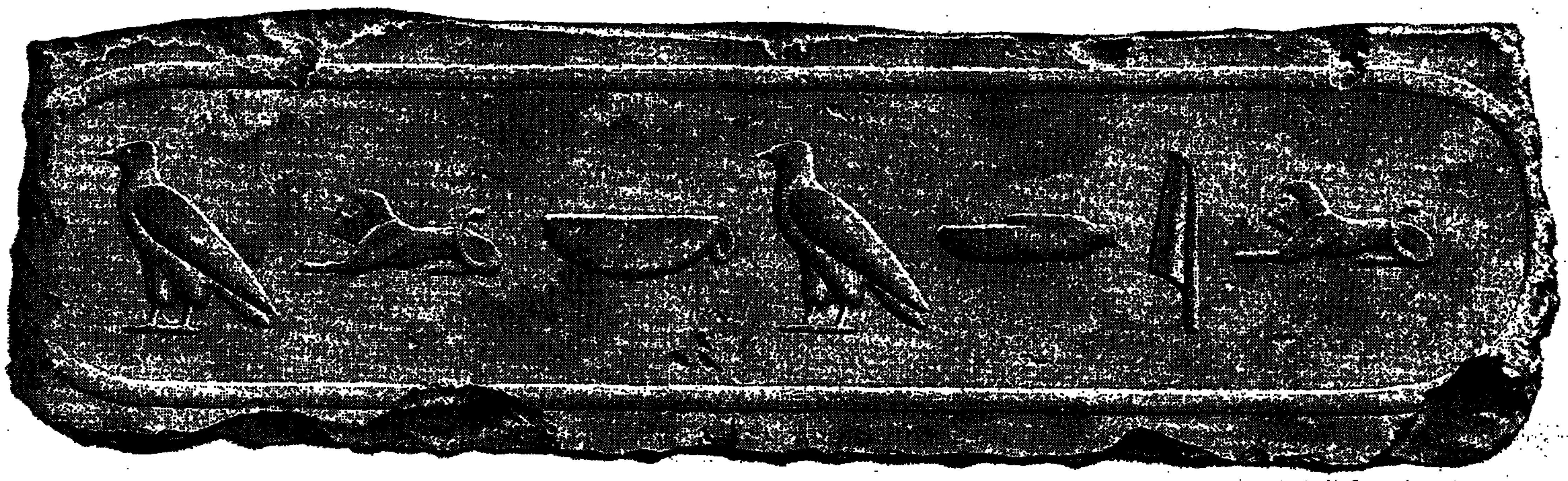

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ARTS

A major talent in critical eclipse

An exhibition need not be especially large to be important, and a significant retrospective study may be achieved with surprisingly few works. This last is a trick of which that distinguished veteran, Andras Kalman, is a master, his latest coup to fill his Crane Kalman Gallery (178 Brompton Road SW3: until July 21) with some 30 major paintings by Sir Matthew Smith, some for sale but many on loan from private collections.

Smith died in 1959 at the age of 80, having worked on through his later years, though with failing health and eyesight. The period covered here is effectively that of the mature career, from 1913 – when Smith, lately returned from France, married and settled in Cornwall, at last came into himself as an artist – to the mid 1940s. There is an opportunity to see works that have at best rarely been shown in public and are all too unlikely to reappear.

Matthew Smith is undoubtedly one of the major figures of the English School of the earlier 20th century, but he remains critically unfashionable and hard to place, too French in his work for some palates, not French enough for others, a *fauve manqué*. He had trained at the Slade but then spent long periods in France as a young man, following the steps of Gauguin and O'Conor to Pont-Aven in Brittany, and studying under Matisse in Paris.

Had he committed himself to France completely, he might perhaps have had his work accepted both here and there on its merits, rather than suffer the grudging assumption of being essentially second rate, after the long-held English habit of deference to Paris and Parisian indifference to everything and everyone else. The truth is that Smith was always his own man, openly indebted to the French example but bringing to that cleaner palette a lower, more brooding and intense tonality that could only be English, born of Sickert and Camden Town.

When, by around 1920, he had freed himself not so much in his painterly vision as in the practical handling of the paint, he became like no other painter in England but bears comparison only with his some-time master, Matisse. There is the same rapid cursive line, the same simplicity in the image and directness in the statement, the same hedonistic visual delight in the subject of the painting – landscape, still-life, the naked model on the bed. The essential difference is that where Matisse is inclined to be flatter, more linear and graphic in his handling of paint and image, Smith is always richer, fatter, the brush full, the paint worked across the surface of the canvas, the image described through the modelling across the form.

Where Matisse would lay the paint cleanly on the surface, the drawing always clear in *the abutment of colour against* colour, for Smith the delight was clearly in the mixing and moving of the stuff of paint itself. This is as true of the later landscapes, which stand among his finest works, as of his portraits and figure paintings, often achieved with apparent and remarkable swiftness, as here with the view of Mont St Victoire from 1932. But it remains the female model, the nude especially, bring in wonderfully fleshly, substantial indolence upon the red-draped bed in the darkened studio, that is his particular achievement. This work has a wonderful physicality and whole-heartedness, both imaginative and practical, that are quite his own.

Well, not perhaps quite his own for, of his contemporaries, Augustus John essayed in his portraiture something of the same robust expansiveness. But Smith's work was always naturally the more voluptuous, which points a nicely ironical contrast. The two men were close friends and John generous in his admiration of Smith. Peter Quennell, in *Customs and Characters*, remembers them as "a remarkable pair, Augustus, a bulky, majestic shape, who looked a little too

"Model Waking," one of Sir Matthew Smith's fleshly nudes

large for the table they occupied, ordering a second bottle with a voice of rusty thunder; Matthew Smith, who shrank back into his chair and cast nervous glances round the restaurant . . . Shy, small, myopic, he seemed difficult to associate with his heavily ensanguined nudes, which suggested that, before he began to paint, a stoutish model had been skinned alive and then left to bleed to death upon a pile of satin cushions." I am not so sure about the bleeding to death, but I can see what he means: for me it is rather more the dark, languid siesta of the odalisque.

A voyage of discovery, the South Bank Centre Touring exhibition now at the Camden Arts Centre (Until June 17, then on to Exeter, Bath, Wakefield and Worthing) is another but larger retrospective, its effect not as satisfactory. Its subject is Patrick Hayman, who died in 1988 at the age of 72, a painter in the English mystical tradition that runs from Blake and Palmer down to Spencer and Cecil Collins. But what gives his work its particular character is the cross-strain of *faux naïf* expressionism that acknowledges old Alfred Wallis as the true naive, but looks quite as much to Nicholson, Wood, Lanyon and other artists of mid century Saint Ives.

Hayman was always his own man, his work distinctive for a visionary intensity, concentrated within a small scale yet broad and simple in its statement. But it is in the nature of his type to establish both method and vocabulary of imagery early in the career and to stay with them throughout, which makes for evenness of performance rather than profound development and change. It is a curious irony that so singular an artist should seem undistinguished only in his own retrospective.

He was poet and writer as well as painter: ". . . out of the fragments of his life the artist constructs his universe which is a world of possibilities, a legend, a small enclosed world that reaches out in the direction of great possibilities . . . To paint is to start on a voyage of discovery . . ."

William Packer

Music for Life

SOUTH BANK

On Sunday, for most of the day and much of the evening, more than 400 musicians and actors occupied all parts of the South Bank arts buildings for a special kind of celebration: "Music for Life," masterminded by Graham Vick as artistic director, a continuous programme of festive events. Since their purpose was to raise money for the Aids fund-raising body CRUSAID, the quality of celebration was tinged with a special poignancy, courage, and generosity (all artists appearing without fee).

The diversity of the events – songs, readings, solo and group instrumental performances, mini-operas, a rare film (the silent *Rosenkavalier*, given with full chamber-orchestral accompaniment), jazz and gospel-singer ensembles – was splendid. The Philharmonia Orchestra's evening concert, conducted by Simon Rattle and John Mauceri, seemed to provide a climax to the whole occasion, a gala with famous singers. But it was far more than a Grand Vocal Concert, since the bill of fare had been planned with great intelligence and sensitivity to trace and link some of the themes that must inevitably demand consideration in any such enterprise: human sensuality, human mortality, and the power of personal and communal endeavour to triumph over human frailty.

Beethoven began and ended the concert – the third *Leonore* Overture, the heroine's big aria (sung by Anne Evans) and then the final scene from *Fidelio* (with the Philharmonia Chorus and chorus-members of ENO and Covent Garden). Excerpts from operas were aptly varied: *Der Rosenkavalier* (with Felicity Lott), *Don Giovanni* (with Sherrill Milnes and Miss Lott), and *Porgy and Bess* (with three alumni of the Glyndebourne production, Cynthia Haymon, Willard White, and Damon Evans). The longest item was the concluding "Farewell" from Mahler's *Song of the Earth*, sung by Brigitte Fassbaender.

It is in the nature of such occasions that performers will bring something extra thereto: certainly, the Mahler – in the best sense underplayed, words lightly touched, notes subtly coloured rather than being squeezed dry of emotion – counts as one of the finest performances Miss Fassbaender has given in this country. This was, indeed, a wholly serious concert, with a charged atmosphere, but also with glorious moments of light relief, moving and entertaining in exactly proportioned parts. All honour to its participants.

Max Loppert

Bernstein

BARBICAN HALL

Last year Leonard Bernstein wrote a modest, amiable song-cycle, *Arias and Barcarolles*: title from the late President Eisenhower, who once remarked to the composer that he liked "something with a theme, not all them arias and barcarolles." (Andrew Porter welcomed it on this page.) In the first version the two singers were accompanied by piano duet.

Now Bernstein and Bright Sheng have translated the score to strings with light percussion, and Michael Tilson Thomas and the London Symphony played it last night with Judy Kaye and Benjamin Luxon as soloists.

There are sort-of-arias, and ripples of a barcarolle or two, but mostly these are disarming little songs and duets about love, and mostly to Bernstein's own autobiographical words – indulgent, if you like, but only in the "indulgent grandpa" sense, maybe a touch foolish and fond. Miss Kaye and Luxon, both in excellent form, sounded unembarrassed and comfortable with them, safely avoiding cuteness.

Two numbers are much longer than the others (all chips from the workbench, surely): "Love Duet," in which the words describe the phases of the developing tune – Bernsteinian deconstructionism! – and "Mr and Mrs Webb Say Goodnight," a domestic *scena* which had orchestra-members lustily impersonating the kids downstairs before and after.

Nearly all the orchestration works well; I had doubts only about "Love Song," where the steadily unwinding even notes must surely go better on plain piano. One of the middle songs, a silly children's story, boasts a fine Mahlerian string-outcry which seems unimaginable as piano-writing.

The other short songs are the wry "Love of My Life" (the baritone is not quite certain whether it ever *happened*), a sentimental effusion about the birth of babies (not really for export, I think) and an odd Yiddish sketch of the fiddler at a wedding, with a surprisingly fierce conclusion. The cycle begins with a sharp Broadway prelude, and ends in an ever-slower (anniversary?) waltz.

The rest of the programme was Stravinsky, including the six-minute cantata *Zvezdoliki* from 1912, peculiar and haunting, and a most extravagance, with a whole male chorus, harps and celesta, who were needed for nothing else. The Tallis Chamber Choir sang firmly, as nearly in tune as one ever hears in this piece, and the orchestral sonorities were pungent. Tilson Thomas chose to perform the Symphonies of Wind Instruments in the later, more economical version, but marked carefully each echo (or pre-echo) of *Le Sacre du printemps*. The monumental air of the piece was sternly maintained, and it sounded beautiful.

So did *Le Sacre* itself. Since their exciting performance some months back, the conductor and his orchestra have contrived brilliant solutions to the few problems of balance that were noticed earlier, without diminishing the barbaric splendour they had then boasted. It was possible to think that lingering as much as Tilson Thomas did over the slow quasi-recitatives made them a trifle too romantic, and contrariwise that a certain brutal inevitability in the climactic numbers was dissipated by racing tempi, and certainly that the horns should learn to play legato in the "Mysterious Circles." More quibbling, though, the impact of this *Sacre* was terrific, and most thoughtfully set up.

David Murray

A Knee in the Nineties

NEW END THEATRE, HAMPSTEAD

Out, damned spot? "Mrs Macbeth has been using ordinary detergent for years," says the gentlewoman during the RSC's new commercially sponsored Shakespeare season. On the "Dear Doctor" programme, a married couple dare to share – with the cameras the embarrassing problem that "We don't find it . . . at all pleasurable . . . or at all fulfilling . . . to make conversation."

In discussing the 28 sketches of *A Knee in the Nineties*, it's best to be humourless and analytical; but let me record the fact that its first joke made me at once laugh aloud and loud, and that my enjoyment seldom flagged thereafter. No mean achievement. The whole rhythm of revue is usually uphill work for the audience: wise guy routines occurring in starts and stops, ludicrous situations leading up to smart-alec punchlines, endless digs at the current sacred cows. The three performers of Punchline Productions do all this, but they keep it remarkably fresh by changing the pace of what they give you to laugh at.

And then most of their material – by Nigel Forde, Paul Burbridge and other writers of several radio shows – is unusually good. I love Frank and Irene, the couple so aware of their inadequacy in mutual, er, chatting; and I adore the "Dear Doctor" who turns to the camera in reassuring Frank that "It's quite possible to have quite a fulfilling conversation without a large . . . vocabulary." You can go on relishing the sustained sex/conversation parallel here, like the finance/romance parallel in *Fiscal*, a lovers' conversation conducted in financial terms, right up to the discussion of her overdraft like an unwanted pregnancy.

There are digs at the poll tax, South Africa, commercial sponsorship of the arts, and the police. The British class system, however, comes off unscathed. Most sketches are at the expense of yuppies, suburban vulgarians and tramps. Some of the humour, as in most revues, is merely undergrad. The most remarkable aspect is the skill of the three performers – Sue Broomfield, Susie Brann and Stuart Harrison (in rising order of merit). The versatility of Brann's body language and Harrison's accents amazed me. Let me remain po-faced, and end by singling out Brann's touching account of a wrong-number phone call that becomes a Miss Lonelyhearts romance and Harrison's horrifying voice-and-body bigotry in a South African sermon.

Alastair Macaulay

Vincent

OPERA HOUSE, HELSINKI

The sale of a Van Gogh portrait for a new world record price of nearly $80 million last week came at the very time when the artist's critical worth is itself poised to undergo a blip of inflation. This year marks the centenary of Van Gogh's death and tributes will be presented in every kind of arts venue, including the opera-house.

The first of what is expected to be a couple of operas on the artist's life was given its premiere by the Finnish National Opera last Thursday. *Vincent* is the fourth full-length opera by Einojuhani Rautavaara – a strangely appropriate subject, as Van Gogh's melancholy and isolation make him seem as Finnish as the characters in any of the other contemporary operas that have poured out of this country in recent years.

And how many of them there are. The commitment of Finland to its living composers is nothing short of breathtaking. First came Kokkonen, Sallinen and Heininen. Now Rautavaara, formerly Professor of Composition at the Sibelius Academy, has *Vincent* in the repertory and can look forward to a complete recording of his new work before the end of the year. Any aspiring British opera composer must sigh with envy and frustration.

For *Vincent* a recording should prove a valuable exercise. Although the musical side of this first performance, conducted by Fust Mansurov, was in capable hands as far as one could tell, the production by Jussi Tapola, well lit but theatrically unambitious, showed little originality in its handling of an opera that is by no means a typical stage work, or indeed a sure-fire success.

What Rautavaara has tried to avoid in his opera is putting a simple biography of the artist's life on the stage. The theme is rather intended to reflect universal (his own?) experiences. In the manner of a Van Gogh portrait its subject is drawn in an expressionist or almost surreal manner. There is no straightforward plot and times and places are run together in a vague suggestion of events.

This is a drama of the mind, with the singer of the title-role on stage almost the whole time (two hours less interval; the opera does not outstay its welcome). Everything is seen through his eyes and he has most of the best music, which takes on a more expressive quality whenever Vincent himself is singing and even rises to a tonal apotheosis in the final stretch, where the artist states his credo in idealistic terms.

Almost all the other characters are shut off from contact with the audience. Four singers appear in a variety of guises and were played as grotesque caricatures. Van Gogh's brother Theo wins some sympathy in the portrayal of Matti Heinikari; Paul (Gauguin) and the prostitute Maria Hoornik, played respectively by Marko Putkonen and the rich-voiced Eeva-Liisa Saarinen, put in appearances. The composer's wife, Sini Rautavaara, adds a somewhat tremulous soprano Gaby, the ideal woman.

None of them, though, makes much of an impression because the music does not let them. Rautavaara has based his score on a number of varying tone-rows to give a greater variety of tonal colour than is usually possible in this style of composition; but the further he ventures outside the mind of his central character, the less personality the music seems to possess. The party scene, where he tries to whip up a standard operatic climax, predictably produced the weakest music of the piece.

This, then, is Vincent's opera, even more than *La traviata* belongs to Violetta or *Death in Venice* to Aschenbach. The first idea for it came when the Finnish baritone Jorma Hynninen showed a photo of himself to Rautavaara and asked who he looked like. "Van Gogh" came the answer and the opera was born. Hynninen duly takes the title-role and it is in his portrayal, tirelessly sung and powerfully projected, that the evening derives its strength and purpose. A star turn of the finest kind.

It remains to note that Finland is having to build a new house to cater for the explosion in the demand for opera. Construction is already under way on a prime site by the water's edge and it is widely rumoured that the first production, in late 1992 or '93, will be the latest opera, already finished, by Aulis Sallinen. The new wave of Finnish opera is still breaking on the shore.

*This year marks the centenary of Van Gogh's death. **Richard Fairman** looks at an operatic tribute in Finland*

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Notice that the agenda of the meeting and the annual accounts for the year ending December 31st, 1989 have been deposited at the offices of the Stichting at the aforementioned address. Copies of both documents can be obtained at that address free of charge.

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ARTS GUIDE

May 18-24

OPERA AND BALLET

London

Royal Opera, Covent Garden. The unhappy revival of *Il trovatore* in Piero Faggioni's production has Carol Vaness, Eva Randova, and Sergey Leiferkus in leading roles, and Edward Downes as conductor (240 1066/1911).

English National Opera, Coliseum. The premiere of Robin Holloway's *Clarissa* (based on Richardson's novel) is conducted by Oliver Knussen, produced by David Pountney, and with Vivian Tierney, Graeme Matheson-Bruce, Rosa Mannion, Penelope Walmsley-Clark, and Justin Lavender in leading roles.

The Marriage of Figaro, in Jonathan Miller's much-revived production, brings back Valerie Masterson, Lesley Garrett, and Ethna Robinson as ENO Mozartians, and introduces Steven Page's Count and Gregory Yurisich's Figaro.

The rendering of *Ariadne on Naxos* is graced by the formidable sopranos of Anne Evans (Ariadne) and Rita Cullis (Composer) (836 3161).

Paris

Paris Opéra. *Jeunes danseurs de l'opera*. Extracts from some of the favourite romantic period ballets (47425371).

Théâtre de la Ville. Mats Ek and Ballet Cullberg are followed by Pina Bausch and Wuppertal's Tanztheater with a performance inspired by Macbeth's tragedy. (42742277).

Berlin

Opera. *Der Troubadour* is a Herbert von Karajan production. *Siegfried* and *Götterdämmerung* are both part of the Götz Friedrich cycle with Wagner specialists Ute Vinzing, Rene Kollo, Robert Hale, Hanna Schwarz and *Matti Salminen*.

Aida has fine interpretations by Bruna Baglioni, Sharon Sweet and Giorgio Lamberti.

Further offered *Fidelio* with Deborah Polaski, Carol Malone, Lenus Carlson and Gerd Feldhoff, and *Die Zauberflöte*.

Hamburg

Opera. The new John Neumeier ballet *Träumer* was well received, and a Nijinsky gala closes this year's Hamburg ballet festival.

Fidelio will be conducted by Nikolaus Harnoncourt. *Arabella* has a strong cast led by Olive Fredricks, Felicity Lott, Krisztina Laki and David Rendall.

The successful Harry Kupfer *Tannhäuser* production has received favourable reviews sung by Stefania Toczyska, Guenter Neumann, Kurt Moll, Ana Pusar and Andreas Schmidt.

Cologne

Opera. *La Traviata* has Maria Spacagna, excellent in the title role. The two one act Rossini operas *La Cambiale di Matrimonio/Il Signor Bruschino* are sung by Alberto Rinaldi, John Del Carlo, Teresa Ringholz and Janice Hall.

Josef Protschka repeats his performance in the title role in *Faust*. *Tristan und Isolde* is the *highlight of the week* with Gabriele Schnaut and Spas Wenkoff in the title roles, conducted by Ralf Weikert.

Bonn

Opera. *Die Fledermaus* has a strong cast led by Ludwig Baumann, Pamela Coburn, Claudia Rueggeberg, Krisztina Laki and Helmut Lohner.

The new *Rheingold* production is sung by Siegmund Nimsgern, Graham Clark, Hermann Becht *and Hanna Schwarz*.

Also in repertory: the lively *Barbier von Sevilla* production and a Marilyn Horne Lieder recital with songs by Handel, Schubert *and* Viardot.

Munich

Opera. *Der Barbier von Bagdad* is of respectable standard with Lucia Popp, Cornelia Wulkopf, Robert Gambill and Kurt Moll. *Nabucco*, produced by Pet Halmen will have its premiere this week with star singer Julia Varady, Wolfgang Brendel and Paata Burchuladze.

Rome

Teatro dell' Opera. Aprile Millo, Alberto Cupido and Paolo Coni give excellent performances in a disappointingly conventional production of Verdi's *Luisa Miller*, conducted by Roberto Abbado.

The Kirov Ballet in Oleg Vinogradov's version of *Swan Lake*, conducted by Alberto Ventura, with *sumptious costumes* designed by Gianni Versace (46.17.55).

Florence

Maggio Musicale, Teatro della Pergola. Giulio Chazalettes's production of Donizetti's *Parisina*, based on Byron's poem. Mariella Devia sings the title role, with *Dano Raffanti* (tenor) as Ugo, and Giorgio Zancanaro, Dmitri Kavrakos and Tiziana Tramonti, conducted by Bruno Bartoletti (2479651).

New York

American Ballet Theatre. The 50th anniversary season includes this week Sir Kenneth MacMillan's *The Sleeping Beauty* and an all – Antony Tudor evening with *Dark Elegies* and *The Leaves are Fading*. Ends June 30. Opera House at Lincoln Center (362 6000).

New York City Ballet. With a repertory still heavily steeped in Balanchine, the company features a festival of Jerome Robbins's ballets in the middle of a season that lasts until July 1. New York State Opera House, Lincoln Center (870 5570).

Tokyo

Chengdu Sichuan Chinese Opera. *Hibiscus Fairy*. Spectacular traditional Chinese opera company in a lyric piece about an assault on the virtue of a beautiful princess. National Theatre. Opens Tues (580 0031).

SALEROOM

A Broun bundle

There have been Brouns at Colstoun near Haddington in East Lothian, Scotland, since the 12th century, although the estate has often descended through the female line. The executors of the late Colin Broun Lindsay are clearing out the furniture from the rooms added in the 1860s and Sotheby's is handling a two-day sale. The morning session of furniture yesterday realised £666,545, but with 14.4 per cent unsold, rather high for a house sale.

The most famous Broun was James Andrew, who was also the 10th Earl of Dalhousie, raised to a Marquisate after his exploits in India where he defeated the Sikhs and annexed the Punjab in 1849. He bought many treasures back to the family home and in the afternoon session a portrait of the young Duleep Singh, his Indian opponent, by George Beechey, sold for £66,000.

It was bought by the Gurbani Centre in London which acts as a cultural base for Sikhs living in the UK. Dalhousie was very fond of the young prince, who was also a favourite of Queen Victoria, perhaps not surprisingly since he handed over the Koh-i-Noor diamond in return for a British pension. He became a Christian and lived in England, adopting the mien of an aristocrat, and acquiring Elvedon in Suffolk. He also fell into debt and attempted to rally the Sikhs against the British Empire. A facsimile of his mahogany state chair, commissioned by the Marquess around 1850, went to the Centre for £8,800.

Two Van Dyck studio portraits of Charles I and his family sold for £57,200, a good improvement on the 190 guineas they realised in 1919, and among the furniture, the top price among the English was the £45,100, twice estimate, for a pair of George I gilt gesso side tables; for the continental, £27,500 for a Maltese olivewood marquetry kneehole bureau cabinet of the 18th century (which is returning to Malta); among the Indian, £37,400 for an ebony and ivory centre table of the early 19th century. The star of the sale was perhaps a flintlock gun made in Sind around 1800 which was estimated at £1,500 and which *sold for £15,950*.

The under bidder for Van Gogh's portrait of Dr Gachet, which sold for a record $82.5m at Christie's in New York last Tuesday, was not Mr Stavros Niarchos, as widely reported. Although a secretive buyer of top-rate Impressionist and Modern art he has strenuously denied being the mysterious competitor for this picture.

Christie's had a good solid sale of British ceramics in London yesterday with a total of £313,221 and only six per cent unsold, Brian Haughton, the London dealer, paid £60,500, double estimate, for a creamware Botanical part dinner service of well over a hundred pieces, probably made in Staffordshire around 1805.

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The role of shareholders

ONE of the least satisfactory features of latterday capitalism in Britain is that managerial failure in industry frequently goes uncorrected long after it has been widely diagnosed. The problem is compounded by the fact that shareholders are unduly dependent on takeovers to precipitate managerial change. So the chain of accountability from management to ownership is far too slack. Yet the inexorable increase in the big investment institutions' share of the UK equity market suggests that there ought to be an unprecedented opportunity to short-circuit the process of corporate decline through a closer and more productive relationship between companies and their legal owners.

There are, as the accompanying article on this page clearly indicates, serious obstacles to enhancing industrial and commercial performance through institutional intervention. The institutions are notoriously reluctant to abandon their freedom to sell shares in troubled companies, despite the increasingly illusory nature of that freedom; and have worries about incurring private costs in the public interest.

Lack of accountability

In the case of self-administered pension funds the reluctance to make greater use of their power has been unhealthily reinforced by Globe Investment Trust's bid defence against the pension funds of British Coal, which was based less on Globe's own investment performance than on the lack of accountability of the mineworkers' funds. This is perverse given that the mineworkers enjoy a more direct say in the management of their money via representation on fund committees than private investors have at Globe. But it cannot be denied that the Thatcher Government is unsympathetic to pension fund paternalism; and despite its failure to arrest the trend towards pension fund capitalism it has shown none of the appetite of the earlier Heath government for more active institutional intervention.

The more practical reasons for the institutions' failure to do more include inadequate human and financial resources for the task, together with a lack of technical industrial expertise. And it is noteworthy that Britain's biggest institutional investor, Prudential Corporation, is not optimistic about the prospects for radical change. Yet there are several specific links in the chain of accountability that could helpfully be tightened.

Disclosure not enough

Institutional intervention works best through well constructed boards of directors. The time has surely come for the presence of non-executive directors to be mandatory for companies of more than a certain size and for greater disclosure of directors' ages, qualifications and remuneration packages in the annual report.

But disclosure alone is not enough. Institutional shareholders' committees have achieved too little in the past for want of will. The directors and trustees of the larger insurance companies and pension funds should make a more explicit declaration of support for joint institutional intervention and ensure that their own fund managers reflect that commitment when arguing collectively with other institutions over problematic investments. The case for inviting company directors to call in consultants to examine areas of institutional concern certainly merits consideration.

Directors who are trustees of their own company pension fund must also recognise that short-termism partly stems from treating the pension fund as a profit centre of the company. They should not leave key strategic decisions, such as votes on contested bids, to delegated fund managers who are preoccupied with quarterly performance criteria. If the legal ambiguity over pension fund ownership is an impediment to a longer-term approach, then a legislative overhaul may be called for.

Institutional intervention will never be a panacea. But nor can the present state of institutional under-achievement be justified. It is time for directors, trustees, fund managers — and indeed government — to take a more considered view of the responsibilities as well as rewards of share ownership.

Progress on a START treaty

THE prospects for the US-Soviet summit in Washington at the end of this month look distinctly brighter after last week's talks in Moscow between Mr James Baker, the US Secretary of State, and Soviet leaders. Though there is no cause yet for jubilation, some of the clouds that have hung over the arms control negotiations over the past few weeks have been dispelled. It now looks probable that, even if a Strategic Arms Limitation Treaty (START) is not ready for signature by Presidents George Bush and Mikhail Gorbachev by the time they meet, it will at least be far enough advanced for them to announce that an agreement has been reached.

In the circumstances, that would be a considerable achievement. Both nuclear and conventional arms control negotiations have been bogged down for weeks as the result of the unwillingness of the Soviet Union to make further concessions. Moscow's tougher stance was put down to the pressure that the Soviet military establishment, increasingly worried by the erosion of the country's military strength, particularly in eastern Europe, was exerting on Mr Gorbachev. Questions were even beginning to be asked about how long Mr Gorbachev, already beleaguered by conservative opponents at home, would be able to hold on to power.

True or not, the restrictions placed on Mr Gorbachev's capacity to manoeuvre as the result of domestic pressures, are clearly not as great as some Kremlinologists believe. He was able to make some quick deals when the negotiations with Mr Baker appeared to be deadlocked, at times surprising the US negotiators with the rapidity of the change in the Soviet position.

Best guarantee

Indeed, the overall impression left by the Moscow talks was that both sides were as keen as ever to maintain the improvement in bilateral and East-West relations begun under the Reagan presidency and endorsed last December by Mr Bush and Mr Gorbachev in Malta.

For the Soviet leader, a success on the international stage is all the more important at a time when he is facing immense difficulties at home. For the US Administration, the survival of Mr Gorbachev is evidently still the best guarantee of a continuation of international détente.

The proof of the pudding is that the US made at least as many concessions as the Soviet Union last week. For the first time, the US agreed to place a ceiling on sea-launched nuclear cruise missiles and accepted that air-launched cruise missiles with a range of 375 miles or more should be covered by the treaty. Not the least of the American concessions was the agreement not to produce the controversial new binary chemical weapons, part of an overall accord under which the two countries will cease production of all chemical weapons and destroy 80 per cent of their stocks. This bilateral agreement, due to be signed at the summit, will give a much-needed boost to negotiations on a world-wide ban on chemical weapons in Geneva.

Vital negotiations

The agreements reached, however, should not be allowed to camouflage the substantial areas where differences persist. The conventional forces in Europe negotiations in Vienna, on which no progress was reported by Mr Baker, have been stalled for months because Moscow fears the consequences of the collapse of the Warsaw Pact and German unification on its position in Central and Eastern Europe. Yet these negotiations are, if anything, even more vital for the future security of Europe than START. The planned summit of the 35-nation Conference on Security and Co-operation in Europe (CSCE) at the end of the year, due to discuss the new East-West European "architecture," is linked to a successful conclusion of the conventional forces talks.

Other problems, such as Lithuania, if present efforts to settle it through dialogue come to nought, could still upset Soviet-American relations. Important as it is, a START treaty is only one of the items on the summit agenda. Much remains to be done in the next 10 days if a successful outcome is to be assured.

The limits to institutional power

John Plender asks whether responsible ownership has the potential to enhance the performance of British industry

Despite the efforts of the Thatcher Government to promote wider share ownership in Britain, precious little of the UK equity market will be outside the hands of insurance companies and pension funds, on present trends, by the turn of the century. What does that mean for the way in which the investment institutions conduct their relations with industry and commerce?

Many of the great and the good in the City of London are convinced that more responsible ownership, involving improved accountability from management to shareholders, is called for. Yet few are very articulate about what this closer relationship might mean in practice; and to judge by the number of hostile recent statements made by industrialists about City short-termism, greater accountability may not be universally welcome. Nearly two decades after a Conservative government under Mr Edward Heath discussed with the Bank of England the case for having the institutions intervene more actively in corporate affairs, the institutions' potential for enhancing industrial performance remains a controversial issue.

What is not in dispute today is that a fair amount of responsible ownership does go on, sometimes under the auspices of institutional committees, often behind closed doors. The difficult question is whether it does much for Great Britain plc. From the Prudential's decision in the 1950s to question the flamboyant and free-spending Sir Bernard Docker at Birmingham Small Arms, through the Post Office pension fund's assault on the perks of Marks and Spencer's board in the 1980s, to the institutional rejection of the terms of British Land's corporate restructuring late last year, the focus of intervention has tended to be on such narrow financial matters as the dilution of existing shareholders' interests, directors' incentives and the level of dividends.

One senior figure at the National Association of Pension Funds candidly admits that there is too little intervention in relation to corporate strategy. Others are unhappy that they remain so dependent on takeovers, often at unsatisfactory prices, to find solutions to the problems of the industrial walking wounded. And certainly it is much easier to name examples where unsatisfactory management or long-term corporate decline failed to prompt timely institutional rebellion — British Leyland, Distillers, Plessey, Dunlop, Chloride spring instantly to mind — than cases of successful pressure for managerial change. Apart from Turner & Newall, the old asbestos materials and motor components business that now calls itself T & N, it is hard to pin down a large British industrial company whose board and subsequent performance have straightforwardly been changed for the better at the institutions' behest over the past half dozen years. Why is there so little to show for the institutions' efforts?

The biggest hurdle of all relates to the institutions' lack of industry-specific expertise and information

To start with the obvious, some clear cases for treatment are simply unassailable. The controversial tenure of Ephraim Margulies at the sugar and property group Berisford International, for example, was protected by family and other friendly shareholdings. The clearing banks, with whose performance some of the biggest institutions are unhappy, have been protected by the Bank of England from contested takeovers. And institutional dog does not eat institutional dog, which helps explain why widespread scepticism about management at Commercial Union in the 1970s failed to generate action from fellow insurers. In the manufacturing sector, meantime, rising corporate profitability in the second half of the 1980s has probably disguised problems of underlying strategy.

As for the institutions themselves, many hang on to the belief that they may be able to sell out despite the difficulty of selling large shareholdings and the strong statistical evidence that fund managers rarely outperform the market. The belief is particularly strong among the merchant banks, which rely heavily on performance to sell their investment management product. And their urge to remain passive has been reinforced, historically, by the fear of alienating the corporate finance department's present and potential clients. Despite the introduction of Chinese walls in the 1980s many merchant bank fund management off-shoots remain closer to a philosophy of share trading than any concept of ownership.

Looking back at those examples of intervention that have surfaced publicly, it has often been a case of the Pru and who else. Britain's biggest institutional investor reckons to be in discussions with several problem companies at any given moment. When push comes to shove, support from other institutions can be helpful. Yet they have been known to melt away at the crucial moment. And in the larger institutions that have followed the Prudential down the interventionist route people privately admit that working at the task through committees is slow, painful and often unproductive. Nor is finding alternative management easy.

The biggest hurdle of all relates to the institutions' lack of industry-specific expertise and information. There is a big difference compared with continental European banks that play a key role in corporate strategy. This is partly a question of the structure of the British investment business. Self-administered pension funds, merchant bank investment departments and all but the biggest insurers are grossly under-managed and under-financed in relation to any serious ownership function. Analytical expertise exists instead in the broking fraternity, whose financial interest lies in high short-term levels of turnover, not stable, long-term shareholding. That helps explain why the institutions' input into the accounting standards process on such crucial issues for them as inflation accounting or the treatment of goodwill, has been so poor. And even if the institutions were more heavily staffed with experts, second-guessing corporate strategy poses severe problems.

Consider some real cases. Lord Weinstock's GEC is a company that has worried some institutions for years. It is said to have failed to break through into the international big league in electronics. It is frequently accused of under-investing and has been attacked for poor performance on Nimrod and other defence contracts. The board, which includes such people as F. Ross Johnson, whose role in last year's RJR Nabisco buy-out has attracted heavy criticism, Lord Rees-Mogg, a former editor of the Times and personal friend of Lord Weinstock, and Lord Weinstock's son Simon, is seen by some as providing too little counterweight to Lord Weinstock himself.

But to take on GEC the institutions would have to confront a powerful, entrepreneurial personality whose mastery of the details of this complex business is legendary, even if his share stake is now dwarfed by that of the Prudential. Despite all the criticism the financial performance has been far from poor, especially when compared with competitors in continental Europe. And the group has just embarked on a significant change of strategy, involving a number of joint ventures on which the details are none too clear, in response to the upheaval in the structure of the European market. Intervention, before the new strategy has been properly tested, might be hard to justify except in the event of an unconvincing succession to Lord Weinstock as managing director.

Then there is the case of British Aerospace where some fund managers find the accounts opaque and worry about recent diversification moves including the one into Rover Group, an acquisition with immense strategic problems that are relatively easy to understand. But even if the industrial logic was wrong, it would have been hard to argue with the chairman, Professor Roland Smith, when he could promise enormous gains for the company's balance sheet and short-term profitability. The Government was, after all, paying British Aerospace to take Rover off its hands. And few would have disputed the obvious need for some diversification away from defence contracting.

Yet it is precisely when companies are forced to diversify away from core businesses that the seeds of corporate destruction are often sown — witness Ferranti and British & Commonwealth's recent disastrous acquisitions. Especially where the core business is mature there is a temptation for incumbent management to pay too much, to undermine the balance sheet with excessive goodwill, or take on excessive risk in unfamiliar businesses. Because of the abortive bid by Sir James Goldsmith's Hoylake consortium, BAT Industries has been at the centre of attention on this score. But there are other companies where institutional investors have their doubts.

BCI, the former Blue Circle, has diversified out of its mature and cyclical cement business into such unrelated businesses as lawnmowers, but too expensively in the view of some. Granada Group, having successfully diversified out of one core business many years ago into TV rental has now been diversifying again — with less apparent success in computer servicing, electrical retailing and a big question mark over a large investment in British Satellite Broadcasting. But before the institutions call for heads to roll, they have to acknowledge that the case for diversification is real enough and that Granada still generates much profit and cash — as does BCI.

These names should clearly be on the institutions' list of companies to watch. But they also demonstrate the nature of the owners' problem in seeking change from incumbent management. It helps to be able to exert pressure through non-executive directors on a well-constituted board; and waiting until a company's earnings record provides an unanswerable critique clearly provides a better platform for radical action against powerful personalities.

Could the business of removing questionable management be speeded up? One way might be to increase the institutions' leverage by reducing the percentage thresholds for deals that require shareholders' sanctions under the International Stock Exchange's listing agreement. But industrialists would almost certainly regard this as excessive bureaucratic interference. Another more promising avenue might be for the institutions to invite management to join in commissioning management consultancy reports into those areas of strategy that worry the institutions. Any failure to agree to the owners' request would clearly be bad publicity for the management if the institutions chose to let the facts be known.

But even the most radical institutionally-inspired boardroom *putsch* cannot be relied on to provide lasting solutions. In the early 1970s the Prudential successfully spearheaded a move to unseat the then chairman of Vickers, Sir Lesley Rowan. Nearly two decades later, after the loss of another core business through nationalisation in the interim, the argument about Vickers' diversifications continued to rage when Sir Ron Brierley tried to persuade shareholders to join him in an attempt to unbundle the company.

No doubt the institutions could be more active. But some of their finer victories go unsung because they are unpublicised. Or simply unnoticed: good sense among British insurance companies and pension funds, combined with an investment culture more heavily directed towards equities than bonds because of Britain's high historic rates of inflation, helped prevent junk bond excesses of the kind that overtook the United States.

The institutions could be more active. But some of their finer victories go unsung because they are unpublicised

But there are limits to what responsible ownership can achieve. The institutions are, after all, what their name implies — institutions, not entrepreneurs.

OBSERVER

Chatham House man

■ Professor Laurence Martin is rather an odd choice as the new Director of the Royal Institute of International Affairs (Chatham House). For a start, he has never seemed to take the British establishment quite seriously.

Martin could have had a senior post at Oxford years ago. Instead he chose to move from the University of Wales, where he was Woodrow Wilson Professor of International Politics in the 1960s, to become Professor of War Studies at King's College, London.

Then he surprised everybody by going off and becoming Vice-Chancellor of the University of Newcastle in 1978. He probably surprised his friends even more by staying there until now. Newcastle was not a fashionable place: its University was a recent offshoot of Durham; and being a Vice-Chancellor has not been the most enviable of jobs in the Thatcher years.

Still, Martin kept his hand in elsewhere. He gave the BBC Reith lectures in 1981: he became a Visiting Professor at Wales and he has always maintained his links with America.

After a first degree at Cambridge and a spell as a flying officer in the RAF, Martin had moved on to Yale, then MIT. It was in America that he picked up his defence expertise and the language that goes with it. When he came back to Britain in the 1960s, there was no one quite like him. The accent had become mid-Atlantic and his theses ahead of his time. Martin wrote brilliantly about the logic of ballistic missile defence before most people had even thought of ABM treaties.

There is a view that heads of research institutes ought ideally to be under 40. Martin is 61, but his appointment cannot be bad for Chatham House. His experience as Vice-Chancellor must have taught him a good deal about fund-raising and he is irrepressibly full of ideas. He succeeds Admiral Sir James Eberle in January.

Last drams

■ This year's Finance Bill has closed a chapter in the history of Her Majesty's Excise officers and Scotland's whisky distillers.

Clause eight removes the requirement on distillers to provide living accommodation for customs officers — a rule dating back to 1823 and which was introduced mainly to overcome problems of controlling remote distilleries in the Scottish Highlands.

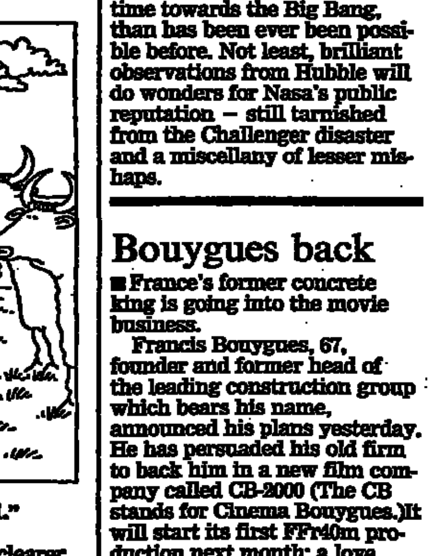
At their peak, "provided" houses were impressive examples of Victorian culture. The "gentlemen of the excise" were often men of high standing in the local community with good pay and education. Sometimes gardeners were supplied free of charge by the distillers and domestic help was cheap.

Controls on distilleries were tight. Surveys were carried out several times a day and vessels secured with official locks. But relations with the traders were good — often helped by the prospect of a free large "dram" at the end of the day.

By the 1980s, however, Excise officers tended to make selective visits by car. The old harmony has gone.

Hubble's star

■ Immense relief at Nasa and the Space Telescope Science Institute in the US at the marvellous clarity of the first pictures from the Hubble Space Telescope. Despite the computer problems and unexpected vibrations that have shaken the bus-sized observatory since its launch on April 25, its images of a star cluster in the southern constellation Carina (The Ship's Keel) were clearer than the best views taken from earth-based telescopes.



"He must be mad."

Hubble's first discovery — that one star in the cluster is in fact a double star — will become an obscure piece of astronomical trivia. Astronomers expect to begin making serious observations later in the summer, after further testing and calibration of the telescope's five scientific instruments.

The project's most enthusiastic supporters predict that the Space Telescope will trigger a scientific revolution to match the one that followed Galileo's pointing the first telescope at the stars almost 400 years ago. Or at least one to match Edwin Hubble's discoveries in the 1920s.

Hubble, the American astronomer after whom the Space Telescope is named, used the 100-inch Mount Wilson observatory to show for the first time that the universe is expanding. His work, combined with Einstein's theory of relativity, led quickly to the Big Bang theory: everything started with a cosmic explosion about 15bn years ago.

The Hubble telescope will enable astronomers to see much deeper into the universe, and therefore further back in time towards the Big Bang, than has been ever been possible before. Not least, brilliant observations from Hubble will do wonders for Nasa's public reputation — still tarnished from the Challenger disaster and a miscellany of lesser mishaps.

Bouygues back

■ France's former concrete king is going into the movie business.

Francis Bouygues, 67, founder and former head of the leading construction group which bears his name, announced his plans yesterday. He has persuaded his old firm to back him in a new film company called CB-2000 (The CB stands for Cinema Bouygues.)It will start its first FFr40m production next month: a love story titled La Reine Blanche, starring the lovely Catherine Deneuve, written and directed by Jean-Loup Hubert and due for release next February. Hubert is famous in France for his drama, Le Grand Chemin, a box office hit three or four years ago.

Bouygues says he has always dreamed of going into the film industry, which will be "a great adventure" for him. At the same time, he thinks it has a lot in common with construction.

"You have to choose your subject, the right team, a budget and draw up your plans, in just the same way," he explains.

Recognition

■ A reader reports that while he and his wife were entertaining his boss to drinks one evening last week his six-year-old son came into the room. "Ah, you must be Michael," said the boss. "And you must be Mr Watkins," said the boy. "I can tell from the imitations Daddy does of you."

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THE WEST LANCS PROJECT

John Barham on doing business under Brazil's radical shock plan

The high cost of bringing inflation to heel

Brazilians are still reeling from President Fernando Collor de Mello's audacious economic shock plan. By freezing 80 per cent of the money supply, raising taxes and public prices, and promising savage spending cuts, he has signalled that red ink, unemployment and declining output are to be the price of taming inflation. If he succeeds, business will have much to gain – but it will have to learn to live by new rules.

Most Brazilian and multi-national companies are in sound financial health and should have little trouble surviving a recession in 1990. The real challenge is of a wholly different nature: prospering in a low inflation economy and submitting to the discipline of international competition.

Curiously, companies thrived on inflation. Despite hyper-inflation of 1,765 per cent last year, the economy still grew by 4 per cent.

Hyper-inflation made prices almost meaningless, and manufacturers could raise prices and broaden their margins almost as they pleased. Operating costs became less and less relevant; instead, astute cash management became a rich source of profits, with interest rates averaging 60 per cent a year in real terms in 1989.

Mr Paulo Ferreira, a director of Dow Quimica, an affiliate of the US chemical giant, said: "The basic secret of inflation was to constantly anticipate cost increases. You could ram the price you liked down your clients' throats."

However, inflation has made management complacent. An American banker commented: "Companies are very inefficient. They have been allowed to stay that way because they earned a lot, got fat, by making more money out of inflation than production."

The abrupt drop in inflation to 3.3 per cent in April from 84 per cent in March, a sudden collapse in sales and the end of financial speculation have forced companies to take a long, hard look at their operations. Dow's Mr Ferreira said: "In the end, inflation is very destructive. Lower inflation will make markets more stable and make it easier for us to operate, but it will be far harder to organise our prices."

If Mr Collor's policies are really to work, costs throughout the economy must be cut. But executives complain that reducing costs is just not that easy. Suppliers resist cutting prices because they face little competition, because taxes are high, and because everybody fears inflation may come back.

Mr Renato Carneiro, a director of Dynapak's Brazilian subsidiary, said: "We have negotiated with our suppliers to lower prices, but it is very difficult to get real reductions. We have already cut all we can from our overheads. We have got to the point where there is nothing left to cut."

Capital costs are the real problem. Inefficient state companies and mollycoddled private companies have got away with making machine tools, diesel engines, personal computers and other products at two to three times international prices. Outmoded technology raises production costs and lowers quality.

Fiat says a basket of car inputs costs 50 per cent more in Brazil than in Europe. A chemical plant costs up to twice as much in Brazil as, for instance, in the Gulf, according to Dow Chemical.

Mr Silvano Valentino, president of the Fiat group in Brazil, pointed out that "it is not enough for just exporting companies to have international prices, all must have international prices."

Profits are being squeezed hard. An undervalued currency used to make Brazilian products competitive abroad. Now the cruzeiro is overvalued by about 50 per cent, exporters say, so it is hard to export at a profit. Only domestic sales show a profit, but in most sectors they are still too weak to keep companies in the black.

Despite oscillations caused by inflation and changing business conditions, returns on capital and sales margins at Brazil's largest companies have gradually dwindled over the years. In 1988, the top 500 companies' average sales margin was 3.7 per cent. Fiat's sales margin is 4.9 per cent, about half the company's average outside Brazil.

Mr Collor is determined to open the economy to imports.

Collor de Mello: deep cuts

He wants to make the oligopolies and cartels fostered by Brazil's 40-year-old import substitution policies lower their prices and allow companies to replace their creaking machinery and regain competitivity.

Sectors like the capital goods, computer or machine tools industries, which cannot profit without trade barriers, may have to close. The capital goods industry is already operating at just 40 per cent of capacity.

However, Brazilian management has a well-deserved reputation for flair, imagination and lightning reactions. Many companies already have plans to create joint ventures with foreign investors or retool entire production lines with state-of-the-art imports once trade barriers are lifted. Mr André Ranschburg, president of Staroup, a leading apparel company, reckons that a $3m to $5m investment in new machinery will raise productivity by a third. That is why most of the business community supports the Government's policies and expects them to succeed. The alternative is unappealing. Mr Carneiro said: "If Collor can cut the bureaucracy and allow imports, then his plan has a good chance of working. If not, it will be hyper-inflation, apocalypse."

But businessmen at the same time complain that, far from encouraging free enterprise, the Government is actually fencing them in with more and more restrictive regulations. Indeed, one of the great ironies of the Collor administration is that it has undermined business confidence as no other recent government has done.

The private sector as a whole is angered that Brasilia can sequester billions of dollars in private financial assets by decree, legislate retroactively, or detain supermarket managers for selling a deodorant a few cents over the official price.

None the less, the risk of punishment, which was once remote, does have the virtue of curbing dubious business practices, which were widespread. Companies are tidying up their books and bankers are treating regulators with greater respect.

Multinational executives have complained for years that their patience with Brazil is running out. Inflation, erratic government policies, and difficulties in remitting profits are losing Brazil desperately needed foreign investments.

The impending recession is already forcing companies either to scale back, postpone or abandon expansion plans altogether. But the Brazilian market is too important to ignore, and no foreign corporation with large investments in Brazil is known to be planning to leave.

At the same time the country is not attracting major new investments. In fact, it has suffered a crippling net outflow of capital, estimated at $2.4bn in 1989.

A Sao Paulo banker pointed out that "the Government dumped on the foreign banks because of the debt problem, so what did they do? They reduced their exposure. Now Collor is dumping on the companies, so now they will reduce their exposure, too."

FOREIGN AFFAIRS

Keeping up with the Germans

The new European security order should now move to the top of the agenda, argues Edward Mortimer

Mr Lothar de Maizière won a round of applause in Bonn on Friday when he said, at the signing ceremony of the German monetary union treaty, that Germans should stop referring to each other as "easterners" and "westerners". I suspect, however, that at least in the short term the rapid integration of the two states on the institutional level will have the opposite effect at street level.

West Germans that I have talked to in the past few weeks are almost unanimous in expressing irritation that "the GDR people" expect to have handed to them on a plate the standard of living which they in the West have earned for themselves by 40 years' hard work; while on the other side the imminent disappearance of the German Democratic Republic seems to be sharpening its citizens' sense of a shared destiny.

It would have been convenient for strategic planners in Moscow, Washington, London and Paris – and perhaps even in Bonn – if this special East German angst had manifested itself early enough and strongly enough to keep the GDR in being for a transitional period, say four or five years, during which the security structure of the new Europe could have been worked out. But it is no good sighing for that now.

The East Germans are going to feel the full force of economic union from July 2. They will be using a currency issued in and controlled by Frankfurt, will be subject to essentially the same social and economic legislation as West Germans, and will be dependent on West German support to cope with the social effects. In other words the most important decisions affecting their daily lives will be taken by the institutions of the Federal Republic.

They will surely be in a hurry to complete the process so that at least they have a say in choosing the Federal parliament and government. They may even demand to be allowed to take part in the Federal elections due on December 2, even though at present it is Mr Kohl who is urging that and Mr de Maizière who is dragging his feet.

Both Germanys will therefore be in a hurry to complete the "Two Plus Four" talks with the four powers by the autumn, and this gives the Soviet Union considerable leverage. The three western powers may be inclined to hang tough, telling the Soviet Union that Nato membership is a matter for sovereign decision by the united German state, in which it should not interfere. But they may also wish to sweeten the pill for Mr Gorbachev's sake, and even if they do not, the Germans will.

How can the pill be sweetened? Robert Mauthner in this space last week mentioned some of the different-flavoured coatings now on offer: transitional arrangements for Soviet troops to stay in East Germany, non-modernisation of US short-range and tactical nuclear weapons in Europe, negotiations on reducing the existing weapons in those categories (which one suspects would end up with a zero option, given German as well as Soviet sensitivities on the subject, though that at present is not the US, still less the British, position). But he rightly concluded that these are unlikely to be enough, at any rate in the time-scale we are talking about.

It used to be a commonplace of West German rhetoric that "you can only overcome the division of Germany by overcoming the division of Europe"; and fundamentally that has been proved right, much sooner than anyone expected. The present German unification process has been made possible by change in the Soviet Union and by a democratic revolution throughout east-central Europe. But the German process has moved ahead so fast that the European process is getting left behind. Western governments are still the prisoners of cold war thinking, in that they assume the first business in hand is correction of the imbalance in conventional forces between the two blocs. Only when an agreement on conventional forces has been negotiated in Vienna and is ready for signature, so runs the current western argument, will it make sense to hold a pan-European summit and start thinking about pan-European security structures.

What that argument fails to notice is that the premise of the Vienna talks has already been swept away. There are no longer two blocs in Europe, and it is completely idiotic for Nato to be negotiating reductions in the Czechoslovak or Hungarian armed forces to balance its own, as if those two countries were still part of an enemy bloc which no longer exists. The 23-nation structure of the Vienna talks (16 Nato versus seven Warsaw Pact) was useful and relevant when it was agreed two years ago, but it no longer makes sense.

The German process has moved so fast that the European process is getting left behind. Western governments are still the prisoners of cold war thinking; they assume the first task is correction of the conventional forces imbalance

What we need now are 35-nation talks (or 36 if Albania joins), involving all the participants in the Conference on Security and Co-operation in Europe (CSCE), to set reasonable limits on the conventional forces each of them is allowed to maintain between the Atlantic and the Urals. The key balance that these talks would have to establish (and which would no doubt be the subject of private negotiations among a smaller number of powers) would be the balance between Nato and the Soviet Union as such. The Warsaw Pact is a red herring.

But such limits would have to be part of a broader set of arrangements linking the participants in a common security structure: a kind of regional United Nations, only more democratic, with a permanent secretariat, an assembly representing the elected parliaments of the member states, and a council representing their governments, with powers to call on member states to supply forces for peacekeeping duties, presumably by some kind of weighted voting system.

The common objection to this is that such "collective security" embodied in the League of Nations failed spectacularly between the wars, and indeed that the UN itself has been unable to prevent war in many parts of the world. Only Nato and the nuclear deterrent have kept western Europe in peace and security these last 40 years; and the essence of Nato is that it is a group of like-minded countries committed to come to each other's defence against an aggressor. Indeed so, and the more the new pan-European organisation resembles Nato the more successful it will probably be.

The simplest way to create it, in fact, would be to expand Nato to cover the whole of Europe, including the Soviet Union. Semi-official Soviet spokesmen are now saying, apparently not in jest, that they would welcome such an invitation. Personally, however, I doubt if western confidence in the democratic transformation of the Soviet Union is yet quite sufficient for that. To set up a new structure, while retaining Nato at least provisionally as a separate and tighter substructure, seems to me a more realistic approach. The rules of the new body would have to allow closer alliances among groups of members, provided these were of an explicitly defensive nature.

The details of all this will take a lot of working out, but the time to start negotiating on the principles is now. The creation of a such an institutionalised "peaceful European order" offers by far the best hope of winning not only Soviet consent to a united Germany's membership of Nato, but also the wholehearted support of the Germans themselves.

LETTERS

South Africa: removal or retention of sanctions

From Mr C.R. Peer.

Sir, Neither your editorial comment (The role of sanctions, May 16) nor Mr N.J.R. Mitchell (Letters, May 17) go to the heart of the sanctions issue today.

The central reason why all sanctions against South Africa should be lifted immediately is that they exacerbate the already alarming risk of a violent social and political upheaval in that country.

Major change in the control of political power carries with it the risk of breakdown of law and order even in a homogeneous and inherently stable society. In a country with such a complex ethnic, cultural and linguistic structure as South Africa the danger is immeasurably greater.

The extreme violence which is endemic in African culture has manifested itself in Natal and in this case is largely internecine warfare within the Zulu nation. Such carnage would be forgotten in the appalling consequences of a violent power struggle between the various black nationalities and factions.

The 5m whites are potentially the main stabilising force in the country. They face the greatest change in their 350-year history and are fearful of their future in a society controlled by blacks. They still control most of the political, economic and military power and will fight if necessary to protect their lives and property.

Whilst acknowledging that apartheid has to go, they are contemptuous of the ignorance, hypocrisy and sanctimoniousness which motivates much of the sanctions campaign and will be much more likely to co-operate with rather than resist the changes now under way if Mr de Klerk's Government is given material recognition for its initiatives.

The most important contribution the outside world could make to the peaceful transition to a new constitution in South Africa, and hence to the well-being of all the peoples of that country, would be to remove sanctions forthwith.

C.R. Peer
41 Gander Hill,
Haywards Heath, Sussex

From Mr R. Elliott Kendall.

Sir, You do well (May 16) to point out that in South Africa "there is more to do. The apartheid constitution and the principal apartheid laws are still in place." The time for lifting sanctions is not yet. Majority rule has not yet been conceded and a new South Africa is not yet in sight.

Mr Mitchell, the voice of British business in South Africa, (Letters, May 17) labels those who support your well-reasoned line as "faint-hearted." Mr Nelson Mandela and his colleagues can hardly be thus described after decades in apparently hopeless incarceration. They firmly call for sanctions to be maintained.

Mr Mitchell despises those who are working for an end to apartheid. Serious, independent students, within and without South Africa (with other than simply commercial interests), know that the fundamental issue is to see South Africa through to a new constitution with far-reaching political change. That is not yet secure. Let sanctions continue until negotiations have reached an unassailable new deal for all the people of South Africa.

They are not calling for an easing of international pressure, as the business world is. Now is not the time to relieve the pressure.

R. Elliott Kendall,
38 Vanner Road,
Witney, Oxfordshire.

Ecu-bonds should finance German reunification

From Mr E. Maroulakis and Mr A. Reid.

Sir, David Marsh reports (Bonn may issue D-Mark bonds, May 15) that the West German Government is thinking about issuing D-Mark bonds to finance the cost of German reunification. The Government's idea of using a financing mechanism separate from its own budgetary resources is sound enough.

What we question, however, is the presumption that only D-Mark bonds will do, at the expense of issues denominated in other currencies. We would like to draw attention to the gains to be achieved should the German Unity Fund issue bonds denominated in the European currency unit (Ecu):

- The monetary cost of reunification would be spread, thus reducing widely held fears of German inflation.
- A powerful incentive to further development of the Ecu-bond market would be offered.
- The rebuilding of the East German economy would take place in a European Community-wide framework.

The sharing of the risks and benefits by all member states of the Community is not only warranted in the light of the *acquis communautaire* but it would also assist to dispel the fears of German domination.

Emmanouel Maroulakis,
Alasdair Reid,
Coopers & Lybrand Europe,
Brussels

Gibraltar tease

From Mr Guy D. Canessa.

On more than one occasion in the past the Financial Times has misspelt Gibraltar as Gibralter. Now in a review ("Gibraltar Straits, Falkland Sound," May 11) you refer to us twice as Gibraltese when we are, in fact, Gibraltarians.

Guy D. Canessa,
11 Banchi Mansion B-202,
11-6 Wakaba 1-chome,
Shinjuku-ku, Tokyo

Answers needed on the Community's anti-dumping policy

From Mr Brian Hindley.

Sir, Mr Juvet (Letters, May 15) confuses birth with the public record of birth. "Even a layman will appreciate," he says, "that cases which were between one and four years apart cannot be said to be twinned."

How many years does Mr Juvet expect to elapse between the creation through anti-dumping policy of the conditions for the formation of a cartel and action against that cartel by the European Commission?

Mr Juvet provides a remarkable example of the diversionary tactics used by supporters of the status quo in anti-dumping policy. Faced by Professor Messerlin's well-founded criticisms of the current structure of European Community policy, Mr Juvet says: "If he really considers that Article VI of the General Agreement on Tariffs and Trade (Gatt) should be abolished, then he should say so openly and explain why." In the International Rayon and Synthetic Fibres Committee, perhaps, one cannot comment that it's raining without being understood to say that there's a flood.

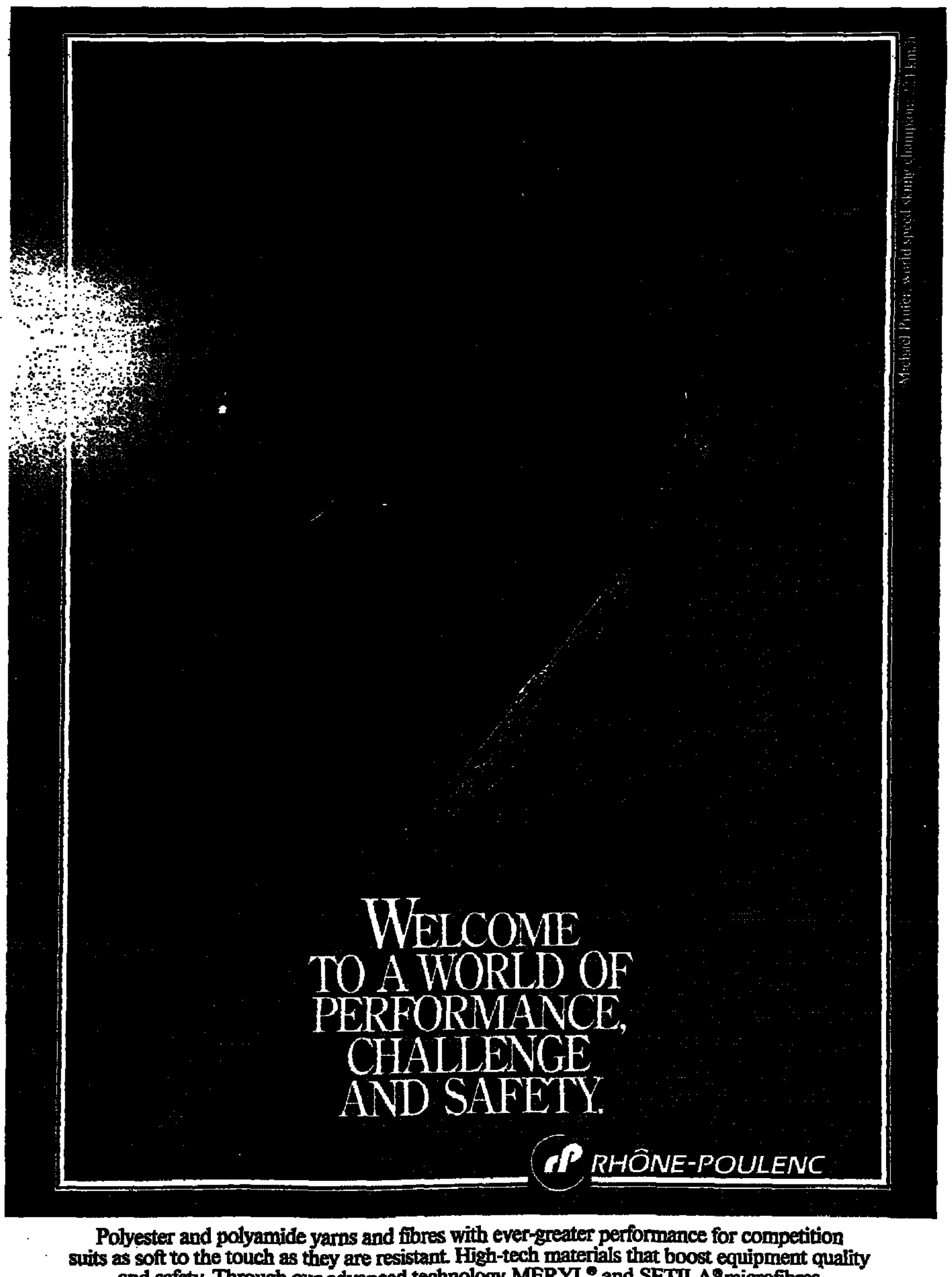
There is a perfectly good justification for Article VI of the Gatt. It is that sellers may engage in predatory pricing – charging low prices now so that competition will be driven out and high prices charged in the future.

A problem for those who wish to rely on that justification is that in the great bulk of actual anti-dumping cases, predatory intent is absolutely inconceivable. An extreme instance is anti-dumping action against imports whose quantity is limited by quota (such as denim cloth from Hong Kong in the EC and synthetic knitted sweaters from Hong Kong in the US). But the same is true in the great majority of anti-dumping cases – to suppose that they involve predatory pricing is absurd.

Mr Juvet has picked the wrong target if he wants to engage in debate about the underlying rationale for anti-dumping policy. Abolition of Article VI of the Gatt is not in prospect. A more relevant question is why, when predatory pricing is inconceivable, buyers of goods alleged to be dumped should through anti-dumping action be taxed to support the profits and incomes of domestic producers of those goods?

Supporters of the status quo in EC anti-dumping policy would do themselves a service if they could devise a convincing answer to that question. That anti-dumping action is good for the profits and incomes of domestic producers may, if those producers have enough political power, be sufficient to keep the policy in place. But they would feel more comfortable, surely, if they had some broader-based justification.

Brian Hindley,
London School of Economics,
Houghton Street, WC2



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TENSION RISES IN SEPARATIST DISPUTE

Indian troops open fire at Kashmir funeral

By David Housego in New Delhi

INDIAN security forces opened fire on a crowd of 100,000 carrying the body of a senior religious and political leader in Srinagar yesterday, killing between 80 and 100 people and injuring more than 300.

Witnesses said the deaths occurred when security forces fired at people trying to break through their cordons around Mirwaiz Maulvi Farooq's body.

Militants in Pakistan, where tension is already running high over the Kashmir dispute, are likely to be enraged by the priest's killing and the shooting by Indian soldiers.

Yesterday's deaths marked the worst day of violence since January when the state was brought under direct rule from Delhi following demonstrations by Moslem militants. Doctors put the number of dead as high as 100.

Maulvi Farooq, 45, was shot by three men at his house on the outskirts of Srinagar. There was no firm evidence of who the killers were, but some accounts in New Delhi suggested they were members of the Hezb-i-Mujahideen, the most fundamentalist of the Moslem militant groups, who opposed him both for his more moderate religious views and for his alleged contacts with the government.

However, some Srinagar residents claimed the killing could have been carried out by Indian forces in a bid to discredit Muslim militants.

Earlier in the day Ms Benazir Bhutto, the Pakistani Prime Minister, in Libya on a tour of Moslem states to enlist support for Kashmiri self-determination, condemned the Moslem cleric's death. She said she was profoundly shocked at the "dastardly assassination."

Although Maulvi Farooq was a Kashmiri nationalist he did not go as far as the fundamentalists in demanding the closure of liquor shops, cinemas and the compulsory wearing of the veil by women.

In the wake of the killing, followers of the Maulvi marched on the headquarters of the Jamaat-i-Islam, the outlawed extremist movement and parent organisation of the Hezb-i-Mujahideen. The authorities reimposed the curfew in Srinagar after the demonstrations.

The Maulvi had the influential role of leading the Friday prayers in the main mosque in Srinagar each week and preaching to the congregation.

As a politician, he led a pro-Pakistan movement in the 1960s, formed an alliance with Dr Farooq Abdullah, the former Chief Minister in 1983 and then broke with him three years later when Dr Abdullah allied with the Congress party.

Though his influence has been eclipsed over the past year by the growth of the insurgency movement, he is believed to have been contacted by the Indian authorities in the valley as a way of initiating a dialogue with Kashmiris. Two other less well-known politicians have also recently been killed.

NATIONAL SALVATION FRONT ELECTION VICTORY

Romanian opposition fails to make mark

By Judy Dempsey in Bucharest

THE National Salvation Front's landslide victory in Sunday's Romanian elections means that the country will be without the effective opposition deemed vital to dismantle the old communist structures and bureaucracy.

Official results of the ballot for the country's first parliament in more than 40 years will not be known until later this week. Romanian officials yesterday believed that the exit poll carried out by Inmas, the reliable West German opinion poll centre, will be confirmed and that the Front will hold a monopoly on power.

The poll gave the Front, which was catapulted to power in December following the overthrow of the Ceausescu dictatorship, more than 65 per cent of the vote.

Foreign observers sent to vet the election gave the poll a qualified clean bill of health despite many irregularities and difficulties distinguishing between fraud and ignorance of electoral procedures.

According to the exit poll, the National Liberal Party won only 10 per cent of the vote, far less than expected. The National Peasants Party won 4 per cent, lower than the Democratic Alliance of Hungarians in Romania and the Ecology Movement.

But even more disappointing for those liberal intellectuals who are anxious to speed up the process of economic and political change, is the concern that the country's small band of dissident intellectuals was not elected to parliament.

"I am very worried that people such as Mircea Dinescu [the dissident poet and head of the Writers' Union] or Adrian Plesu [the respected Minister of Culture], were crushed in this election," said Mr Silviu Brucan, the pre-election government's foreign policy advisor. "They were crushed because the antagonisms were so sharp between these intellectuals and the Front that the people did not have the guts to vote for these independent candidates," he said.

"People voted for stability, but they also voted against the opposition because they did not think they would be a sufficiently effective opposition."

The liberals now believe that because there appears to be no effective parliamentary opposition, Mr Ion Iliescu, the Front's presidential candidate, who won a staggering 83 per cent in the separate vote for the presidency, will not have the political will or pressure from parliament to dismantle the communist structures.

Mr Brucan is increasingly critical of Mr Iliescu's style of leadership. "He is surrounded by sycophants, is corrupted by the trappings of power and is influenced by his communist past," he said.

Mr Brucan, who broke with the Front's leadership last January, said he wanted to form a "council of wise men," which would be composed of the independent intellectuals who would act as a kind of pressure group on the Front.

It had been hoped in the early stages of this bitter election campaign that the National Liberal Party, led by Mr Radu Campeanu, who won only 11 per cent of the presidential votes, would be invited to form a coalition with the Front, but their poor showing appears to make them reluctant, if not redundant, partners in any coalition.

Ion Ratiu, Peasants Party candidate, after telling the US embassy of poll irregularities

Brussels opens up energy market

By Lucy Kellaway in Brussels

THE EUROPEAN Community yesterday took its first steps towards creating a single market in energy, by agreeing measures which will encourage cross-border trade in electricity, and make it easier for big energy users to shop around.

The so-called "electricity transit" directive will allow utilities in one member state fair access to the networks in another. It should make it easier for France, which has cheap surplus electricity, to sell its power to Portugal, via the Spanish grid.

At present, less than 5 per cent of Community electricity is traded across borders and the Commission has estimated that if the market were made free of all restrictions, the EC would save about Ecu55bn ($68bn) by the year 2010.

The directive agreed by energy ministers in Brussels yesterday is limited, applying only to the big utilities, rather than to all third parties.

It will mean that the Commission must be informed of all stages of the negotiation, so that it can intervene more easily than at present if it suspects foul play.

Under the price transparency directive, suppliers of gas and electricity must give the Commission six-monthly updates of prices charged, broken down by category rather than by individual customer, so that representative price lists for each member state can be published.

Energy users welcomed the directive, but argued that it did not go far enough. They have put pressure on the Commission to put forward a more radical measure, making energy costs as well as energy prices fully transparent.

Meanwhile, a similar directive – opening up the market for gas supplies – was blocked, with some countries arguing that gas was already traded competitively and that the Commission's directive was not needed. West Germany opposed the effective yielding to the Commission of its existing power over the market.

A fourth directive, requiring energy companies to inform the Commission of future energy plans, met widespread opposition. Most countries view it as an unnecessary extension of Brussels' powers.

Although relatively modest, the agreements were a sign that energy, one of the most important yet stubborn elements of the 1992 plan, is responding to pressure.

The transit directives provide the first move towards a system of "common carrier" for European energy networks, under which all users would have access to the grids in all member states.

This proposal is much more controversial, and ministers have made it clear that agreeing to the transit directives does not irrevocably commit member states to further directives on common carriage. Some countries, among them the UK, expressed frustration at the slowness of liberalisation.

The directive on gas transit will be reconsidered at the next Energy Council meeting. Officials said yesterday there was a possibility that it could be forced through on a qualified majority, but said the other failed directive – on information about investment plans – was unlikely ever to be agreed in its present form.

Ministers also broached the controversial subject of nuclear energy and the environment. The final statement was a bland recognition that nuclear power is a cleaner energy source than fossil fuels, but that there are additional risks attached to it. This echoes the stand taken the Commission, which has been anxious to not to offend member states.

UK balks at subsidy for tunnel rail link

By Richard Tomkins, Transport Correspondent, in London

MR CECIL Parkinson, the UK Transport Secretary, yesterday gave the strongest indication yet that plans for a high-speed rail link between London and the Channel tunnel are in jeopardy.

In an opening speech to a Financial Times conference in London, he appeared to be preparing the ground for an announcement that the Government had decided not to support the proposed £3bn ($5bn) line with a subsidy.

He emphasised that the British Government was already spending more than £1bn upgrading the existing railway infrastructure between London's Waterloo station and the Channel port of Folkestone in readiness for the scheduled opening of the tunnel in 1993.

"As I am sure you realise, even if the fast link were to be developed, it was never intended that it should be ready before 1998 at the very earliest, and the tunnel will be opened five years before that," he said.

"Make no mistake about it: the Channel tunnel is firmly under way, the work continues, and the arrangements to support the tunnel by rail and road are in place."

Plans for the high-speed link were put to the Government six weeks ago by European Rail Link, a joint venture between the public and private sectors made up of British Rail, Trafalgar House and BICC.

ERL is understood to have been seeking a substantial injection of public funds towards the project on the grounds that part of the line's capacity would be used for Kent commuter services, but the Treasury is believed to be resisting the idea of a subsidy.

The Department of Transport said that a decision had not yet been taken on the proposal. Mr Parkinson, however, seemed intent on damping down expectations.

He told delegates that a high-speed link had never been in the original Eurotunnel prospectus, nor part of the original plan. It was subsequently proposed as an additional facility. Also, the Channel tunnel bill specifically ruled out the possibility of a subsidy for the rail link because it would create unfair competition with unsubsidised ferries and airlines.

"We believe rail must win its place in the market, not have that place bought for it by the taxpayer. Therefore, we are studying the proposal with interest, and we will make an announcement as soon as we can: but when the tunnel opens it will be adequately served by road, and more than adequately served by road and rail, and that very substantial investment is now under way."

A rejection of the ERL proposal would not prevent other organisations putting up rival schemes, but it is unlikely they could proceed without subsidy.

Transport conference, Page 2

UN to discuss violence in West Bank and Gaza

Continued from Page 1

the influx of Soviet Jews to Israel.

Mr Abed Rabbo said he would ask for an emergency session of the higher Arab Military Council to review what options might be available in the light of the rash of killings of Palestinians at the weekend.

But the official, who heads the PLO team in discussions with the US in Tunis, said the PLO would stand by its peace initiative.

"Despite what happened ... the PLO remains committed to its peace initiative and will not abandon it because Israel is trying ... to push the PLO to respond to violence by violence," he said.

Mr Abed Rabbo also urged Egypt to close the Israeli embassy in Cairo in protest at the latest upsurge of violence.

Egypt is the only Arab state to have made peace with Israel.

Its reaction to the weekend's events has been measured.

Leaders in other moderate states showed much less restraint. In Jordan, Prime Minister Mudar Badran accused Israel of authorising state terror against the Palestinians.

Saudi Arabia called on the "whole international community ... to denounce this new Zionist crime and ensure all kinds of protection for the innocent Palestinian people."

In Lebanon, Palestinians yesterday began three days of strikes and protest demonstrations. Dr Selim al-Hoss, the Prime Minister, called the murders a "barbaric act that shows Israel's terroristic nature".

In Rome, Mr Farouk Kaddoumi, the PLO "Foreign Minister," said the United Nations should send observers to the occupied territories following the weekend's violence.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	24	75	Dallas †	C	22	72	Madeira	S	21	70	Prague	S	20	68
Algiers	C	21	70	Dublin	F	15	59	Madrid	F	23	73	Reykjavik	R	9	48
Amsterdam	S	20	68	Dubrovnik	C	22	72	Majorca	S	24	75	Rhodes	S	23	73
Athens	S	26	79	Edinburgh	C	11	52	Malaga	S	28	82	Rio d'Janeiro		–	–
Bahrain	S	34	93	Faro	S	23	73	Malta	C	27	81	Rome	S	25	77
Barcelona	S	23	73	Florence	F	26	79	Manchester	S	15	59	Salzburg	F	22	72
Belfast	F	15	59	Frankfurt	F	22	72	Melbourne	F	14	57	S'Francisco †		–	–
Belgrade	S	22	72	Geneva	F	20	68	Mexico City		–	–	Santiago		–	–
Berlin	S	19	66	Gibraltar	S	25	77	Miami †	C	26	79	Seoul	C	16	61
Biarritz	R	16	61	Glasgow	C	14	57	Milan	C	18	64	Singapore		–	–
Birmingham	S	16	61	Guernsey	F	12	54	Montreal †	R	7	45	Stockholm	R	12	54
Blackpool	F	16	61	Helsinki	F	13	55	Moscow	C	10	50	Strasbourg	C	16	61
Bombay		–	–	Hong Kong	S	28	82	Munich	F	20	68	Sydney	S	16	61
Bordeaux	F	21	70	Innsbruck	F	23	73	Nairobi	C	23	73	Tangier	F	20	68
Boulogne	F	21	70	Inverness	C	11	52	Naples	C	24	75	Tel Aviv	S	24	75
Bristol	F	17	63	Isle of Man	S	14	57	Nassau		–	–	Tenerife	F	22	72
Brussels	C	20	68	Istanbul	S	18	64	Newcastle	C	11	52	Tokyo	C	19	66
Buenos Aires		–	–	Jersey	C	13	55	New Delhi	S	37	99	Toronto †	C	9	48
Budapest	C	19	66	Johannesburg	S	19	66	New York †	R	9	48	Tunis	F	27	81
Cairo	S	30	86	Las Palmas	S	23	73	Nice	S	23	73	Valencia	F	24	75
Cape Town	F	14	57	Leeds	C	13	55	Nicosia	S	25	77	Venice	S	22	72
Cardiff	C	17	63	Lisbon	F	20	68	Oporto	C	18	64	Vienna	S	19	66
Chicago †	C	8	46	Locarno	C	19	66	Oslo	F	13	55	Warsaw	S	17	63
Cologne	S	22	72	London	S	18	64	Paris	C	15	59	Washington †		–	–
Copenhagen	F	14	57	Los Angeles †	C	14	57	Peking		–	–	Wellington	S	14	57
Corfu	C	22	72	Luxembourg	C	16	61	Perth	S	19	66	Zurich	C	18	64

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Malaysia cancels orders

Continued from Page 1

involve the sale of more than 20 Hawk aircraft.

Although the Hawk is less expensive than the £25m Tornado, a Hawk deal could be worth more to BAe because the Hawk aircraft programme is entirely British.

The other partners in the Tornado Panavia consortium are MBB of West Germany and Aeritalia of Italy.

However, the Malaysian decision could open the door to both General Dynamics of the US and Dassault of France.

General Dynamics is competing for the Malaysian fighter contract with its F-16 Fighting Falcon while Dassault has been vigorously campaigning in Malaysia for its Mirage 2000.

Dassault recently demonstrated the Mirage 2000 to the Royal Malaysian Air Force after last February's Singapore Air Show.

However, the F-16 would seem to be the favourite if Asean wants to rationalise its procurement.

Thailand has 18 F-16s and Singapore and Indonesia have chosen the same aircraft.

Dr Mahathir was in London on one of his regular private visits on May 11 and may have then warned British Defence Ministry officials that the Tornado deal was being reviewed.

THE LEX COLUMN

A blurred picture from Carlton

The share price of Carlton Communications has collapsed so far since last September, without a cogent market consensus about the cause, that lateral thinking is probably required about the underlying reasons. Especially so, given yesterday's 25p drop in the shares, after an interim statement from Mr Green forecasting a 50 per cent dividend increase. The first stage is to dispose of some potential red herrings.

Carlton is obviously not over-geared; neither has it wandered into diverse businesses which it does not understand. It has stuck in television, and has £80m of net cash. Even after the £40m-£45m of capital spending Mr Green expects this year, about a third of it on new video duplication capacity at Technicolor, it should have increased its cash pile to £100m by September. Granted, Carlton barely conceals its yearning for a UK television license. But even if it paid a 25 per cent bid premium for Thames, the price would only be £325m, against Carlton's current market worth of £800m-plus. Given the cash-generative character of TV franchises, buying Thames or Central would hardly be a death-wish.

Or perhaps the problem is the evidence of margin erosion in Carlton's high-volume video duplication business. There was certainly evidence of this, in the first half, with margins down from 24 to 18 per cent, in Carlton's TV, video and sound products division. Yet Carlton's rival in the video duplication duopoly, Rank Organisation, sees little sign of margins collapsing.

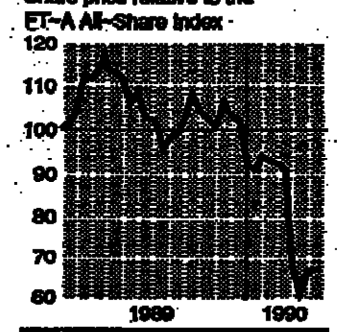
A bolder hypothesis is to look to a US comparison, like Polaroid, one of the nifty-fifty 1960s growth stocks. Like some, Carlton built its stock market attractions on high technology, geared to leisure markets. The market's real worry, well-founded or not, could be that Carlton might telescope a technological growth-and-decline curve, like Polaroid's, into a much briefer time-scale.

UK bank lending

The UK financial markets were probably right to welcome yesterday's financial news. Nonetheless, it is rather puzzling. The decline in the growth in bank lending to its lowest level in three years, and evidence that the corporate sector is repaying its borrowing, suggest that the Government's high interest rate

Carlton Communications

Share price relative to the FT-A All-Share Index



regime is finally beginning to bite.

However, the acceleration in the growth of M0 – a good inflation indicator – cannot be ignored, and there must be a worry that the surprising news from the corporate sector means that the credit squeeze is not as tough as once feared. Whatever happened to all those reports of big distress borrowing?. Undoubtedly, it is good news for equities since it means that the growing corporate sector deficit may no longer be such a threat.

But it raises, once again, the question of whether the Government's credit squeeze has been anywhere near tough enough. This fear could return to haunt the gilts market if there are no signs of any slowdown in import volume growth in tomorrow's April trade figures. Fortunately for the authorities, the 3.7 per cent rise in sterling's effective exchange rate over the last couple of months means that monetary policy has been tightened. Nevertheless, if the foreign exchange markets sense that ERM entry is not as imminent as some suggest, then sterling could come under serious pressure once again.

ABF

Investing in ABF is more and more becoming an act of faith in Mr Weston's money management skills. Investment income was 46 per cent of last year's pre-tax profits and the group's £1.25bn of cash and investments represents over 70 per cent of its market capitalisation. And the trend may well be accelerated this year; the pressure on milling and baking margins meant that group trading profits fell 0.5 per cent in the second half, compared with the same period in the previous year. With the retail operations price-cutting in order to gain market share, only the overseas businesses performed well in the second half.

If interest rates stay high this year, the effect of a full year's income from the proceeds of the Gateway stake sale should boost investment income once again. That depends of course on whether Mr Weston decides to spend the money. Guessing his takeover intentions is still a mug's game, but prices have at least started to move his way. Until the question is resolved, however, the shares are unlikely to be uprated from their prospective p/e of 8.5.

Bayer/Nova

It is hard to get overly bearish about North American equity markets when there are still big European multinationals around who are anxious to pay top dollar for *strategic* acquisitions. Last month, Saint-Gobain trumped BTR by agreeing to pay 25 times earnings for Norton, a lacklustre company operating in a mature business. Yesterday, Bayer outbid several of its European and Japanese rivals by agreeing to buy the rubber division of Canada's debt-strapped Nova for a similar sort of multiple. The C$1.25bn acquisition will hardly make a dent in Bayer's immensely strong balance sheet and it is an excellent fit. But Bayer is even more lowly rated than ICI and its earnings are going to be diluted in the short-term.

Amber Day

Retailing deals are rare enough these days for Amber Day's debt financed purchase of a fashion retailer to be worth attention. The combined company will have negative net worth even after a five-for-eight rights issue pitched at only a 6 per cent discount to the suspension price. In part this is a throwback to the old days when young thrusting entrepreneurs charmed the City with stories of how they would revolutionise the high street; Amber Day has been tipped to buy everything in the sector bar Marks & Spencer over the last few weeks. But it also shows that a plausible corporate story can still persuade the banks to underwrite an equity issue.

However, it may not be the sign of a return to frenzied bid activity among the retailers. Amber Day is buying a regional store chain with a large percentage of freeholds. But the sector's walking wounded may find that their high costs and surplus sites put off even the most determined predators.

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COMPANIES & MARKETS

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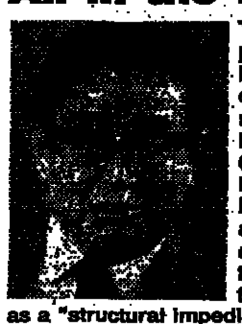
INSIDE

All in the family

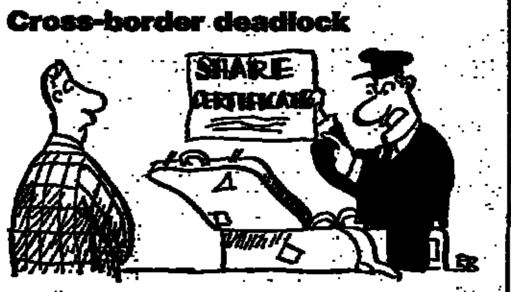


Takeshi Nagano (left), president of Mitsubishi Metal, has just presided over an agreement to merge his company and Mitsubishi Mining & Cement to create Mitsubishi Metal & Cement. He dismisses concerns about Japan's reputedly conspiratorial keiretsu, the powerful corporate families cited by the US as a "structural impediment" to trade, and portrays the merger as a simple decision taken over a humble meal in a Tokyo seafood restaurant. Page 24

Breaking the grain habit

With the food shortage getting ever more extreme in the Soviet Union, the country's newspapers have warned that Moscow must cut grain imports and sharpen dealing on world markets to save foreign currency reserves. "We have become dependent on [grain] imports like a drug addict on his needle," Izvestia said on Sunday. Page 32

Cross-border deadlock

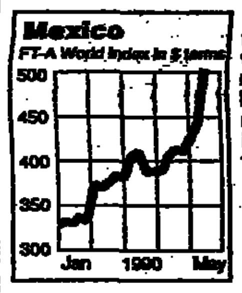


Europe must keep on waiting for the day when shares can be traded across borders as easily as eurobonds. At a meeting in Copenhagen last week, representatives of Europe's competing stock exchanges failed to make substantial progress on the issue. They agreed, however, that Europe's leading companies should be listed on all EC stock exchanges. Page 26

ABF boosts profits

Associated British Foods, responsible for the Ryvita and Allinson brands, has increased its annual pre-tax profits by nearly 20 per cent despite a squeeze on its UK margins. A 23 per cent increase in profits from overseas subsidiaries and a 43 per cent jump in investment income more than compensated for the UK slowdown. Clay Harris reports. Page 28

Mexico extends winning streak



Mexico was the star performer this week among world stock markets. Its rise of $13\frac{1}{2}$ per cent in local currency terms makes for a 50 per cent increase in total so far this year, after one of more than 100 per cent in 1989. In Europe, Finland performed strongly. It enjoyed an apparent recovery of overseas interest, following the drop in Helsinki interbank offered rates from more than 16 per cent in December to about 13 per cent last week. Page 44

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Bayer-Verein	365.5	−	10
Bilfinger & Ber	830	−	40
Commerzbank	277	−	20
Industrie Werke	420	−	15
MAN	453	−	13
Porsche	1126	−	39
NEW YORK ($)			
Rises			
Bank of Boston	14	+	1
GEICO	$152\frac{5}{8}$	+	$2\frac{1}{8}$
Microsoft	$70\frac{1}{4}$	+	2
Novell	42	+	$1\frac{3}{8}$
Time Warner	$99\frac{1}{4}$	+	$4\frac{3}{4}$
Falls			
Synergen	11	−	$1\frac{5}{8}$
PARIS (FFr)			
Rises			
Epeda	1259	+	85.5
BM Phenix	111.9	+	4.0
Sanlees-Ch.	348.0	+	21.2
Falls			
Eurot Bon	3.35	−	0.2
Inter.Dis	280.0	−	11.6
Assecurit-B	560	−	23.0
TOKYO (Yen)			
Rises			
Awa Bank	1450	+	150
Joyo Bank	1890	+	210
Kanagawa Elec.	1790	+	150
Mitsumi Elec.	1550	+	130
SMT	1800	+	150
Falls			
Mitsui Warehse.	1290	−	100
LONDON (Pence)			
Rises			
Bass	1024	+	11
BICC	416	+	5
BTR	423	+	12
Brit. Aerospace	522	+	13
Cable & Wire.	528	+	12
Conder Grp.	450	+	90
Ladbroke	312	+	10
Lon. & Metro.	95	+	5
Meyer Intl.	376	+	6
Rolls-Royce	214	+	9
Smithkline Bch.	543	+	19
TACE	161	+	25
Williams Hldgs.	284	+	5
Falls			
Brit Petroleum	$316\frac{1}{2}$	−	$5\frac{1}{2}$
British Land	329	−	8
Carlton Comms.	315	−	25
Dixons Grp.	124	−	5
Goldsmiths Grp.	116	−	20
Hammerson "A"	714	−	11
Kwik-Fit Hldgs	85	−	5
Reuters	1126	−	17
Taylor Woodrow	275	−	8

AEG in black despite unit losses

By Andrew Fisher in Frankfurt

AEG, the West German electrical and electronics subsidiary of the Daimler-Benz group, made heavy losses in two of its main divisions last year. But it ended up with a break-even result and is hoping for an improved performance in 1990.

Mr Heinz Dürr, the chief executive, yesterday also announced a joint venture with Electrolux of Sweden to produce small electric motors for the household goods and vehicle sectors.

Turnover of the operation, employing 3,500 people in plants in Germany, Sweden and Italy, will be around DM550m ($333m). However, Mr Dürr said there was no question of co-operation between the two companies in the highly competitive household equipment market.

For 1989, AEG reported a net profit of DM27m, compared to DM27m for the previous year, with turnover ahead by 7 per cent to DM12.2bn.

This reflected, however, the proceeds of the transfer of its marine, high-frequency and special technology activities to the parent group as part of the restructuring within the Daimler group. AEG used the DM1.4bn profit from the sale of these interests to accelerate depreciation and write down stock valuations (at a cost of DM200m), to make provisions for unspecified future business risks and restructuring measures (DM500m), and to finance expected future investments in the transport, automation and vehicle electronics sectors (DM450m).

Mr Günther Schad, the finance director, said that AEG's continuing operations broke even, as they did in 1988 on a comparable basis, after allowing for the elimination of the interests sold to Daimler.

The office equipment division, which includes the Olympia typewriter plant, suffered a loss of more than DM150m.

The automation technology division lost around DM200m, although a large part of this represented spending on development.

However, AEG earned money on its household equipment, microelectronics, transport systems and electronic components. In the first four months of 1990, the group's turnover rose by 6 per cent to DM3.7bn and incoming orders by 7 per cent to DM4.7bn.

Because of the heavy investments and long lead times involved in certain sectors, such as transport systems, Mr Dürr reckoned it was hard to say when the group's profits would start to benefit.

But he noted that AEG had agreed to start transferring profits to Daimler after 1992.

Forging a bridge to Europe

Charles Leadbeater reports on plans for expansion at British Steel

British Steel's hot strip rolling mill at Ravenscraig in Scotland was planned in 1959 as part of a national strategy for the industry. It will be closed next year to further British Steel's ambition to become a European steelmaker.

In closing the strip mill, British Steel seeks to leave behind more than just the plant – it wants to shake off its past.

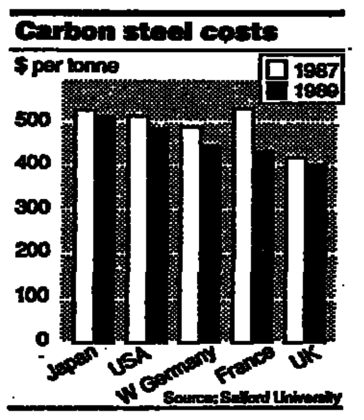
The first stage of its reconstruction as a privatised, profitable company, operating free from political direction and without subsidy is nearing an end. Sales per employee rose from £18,660 ($31,545) in 1980 to £89,038 in 1989. Each tonne of output took about 13.2 man hours in 1980; the figure had dropped to 4.7 hours in 1989. The share price rose from below 130p in December 1988 to nearly 160p last summer, and has since settled down at about 144p.

British Steel is now embarking on the next stage of its development. Transforming itself into a pan-European company will require heavy investment in its UK manufacturing sites which are likely to be consolidated further. That part of the task may be familiar. But the other elements of the strategy – acquiring and managing distributors, processors and manufacturers in Continental Europe – are not.

Most Continental producers account for only 30 to 40 per cent of their home markets, so British Steel cannot be complacent about holding on to its 50 per cent market share in the UK. To safeguard its position, the company recently acquired C Walker & Sons, the UK's largest stockholder, for £330m.

However, while defending the home market, British Steel also needs to become less reliant on it. The company earns 23 per cent of its revenues in Continental Europe, but has only a 2 per cent market share.

Is it up to the task of becoming a European company? As yet, its Continental forays have been far less decisive than its actions in the UK. It has built up a limited network of Continental steel stockholders. It is in drawn-out negotiations to purchase Aristrain, a Spanish steelmaker, and the Trisdorf division of Klöckner-Werke in West Germany. There have been rumours that it is talking to Hoesch in West Germany and Arbed in Luxembourg. Conversations with potential Continental collaborators are increasing. But, so far, its search for a significant foreign partner has been unsuccessful.



The European market in which British Steel is trying to establish itself is becoming increasingly competitive. With European growth stabilising, world capacity expanding and markets such as the Soviet Union and China importing less, supply will outstrip demand. Companies hoping to raise European market share will have to do so mainly through acquisitions and mergers.

This comes as the industry is getting used to the European Commission's ending of production quotas and determination to eliminate state subsidies. The higher cost producers will come under increasing pressure to close unprofitable capacity, creating a lower cost industry.

Mr Francis Mer, chairman of France's Usinor–Sacilor, says: "Governments have for the most part divorced themselves from the European mills. They are no longer prepared to provide the financial assistance to pull steel out of trouble."

Mr Martin Lowlarch, British Steel's chief executive, told a recent Kleinwort Benson seminar: "Let us be in no doubt: more restructuring is inevitable and in future it will have a more international dimension."

Cutting costs is still important. Mr Peter Marcus, steel analyst at Paine Webber in New York, says: "British Steel has led the pack in cost reductions but France and Germany are catching up fast." Usinor-Sacilor will invest $1bn this year to cut costs, according to Mr Mer.

This will create pressure for concentration on larger sites. Thyssen, the West German steelmaker, has a single integrated plant, producing 10m tonnes. In contrast, British Steel has five plants, each producing between 2m and 4m tonnes. In the long run, production is likely to be increasingly concentrated at Port Talbot/Llanwern in south Wales and Redcar in the north-east.

The need for economies of scale is not the only call on investment. Downstream activities – adding value to basic steel through coating and rolling – are becoming more important. Big customers such as the car makers want suppliers to share product development risks and deliver "just in time."

Relatively few companies will have the resources needed to meet all these investment needs. The industry will become more segmented, as it already has in West Germany.

There, Thyssen makes a broad range of products. But Mannesmann has relinquished sectional and flat steel to concentrate on tube manufacturing. Hoesch specialises in flat steel and Saarstahl in long products.

British Steel has strengths which should help it survive as a general steel producer rather than a specialist. Its marketing skills, cash flow and debt-free balance sheet are envied by its competitors. Mr Jonathan Aylen, a steel economist at Salford University, thinks the management is as good as that of the South Koreans.

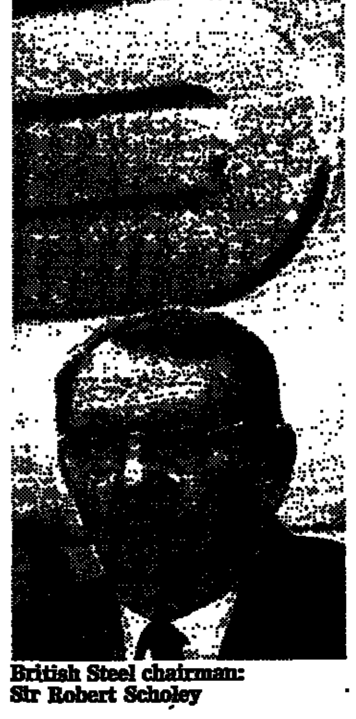
Yet Usinor-Sacilor, Europe's largest producer, seems to have moved ahead. Its stream of deals includes a strategically important venture with Sachstahl, in West Germany.

British Steel's ambitions face several obstacles:

- It will find it hard to expand its network of stockholders, which are increasingly carrying out the final processing that adds value and expands margins. More than 80 per cent of stockholders in Germany and France are owned by steel mills.
- Some potential acquisitions are high-cost facilities, which would consume vast resources. Mr Aylen says British Steel's tentativeness is the product of judicious discrimination.
- Political sensitivity over foreign takeovers is the biggest obstacle to British Steel's ambitions. Fifteen of the 20 leading European steel companies are either state owned or state sponsored. Most of the others, including British Steel, are immune to a hostile bid.

British Steel's bid for Aristrain is being held up by the Spanish Government's attempts to sponsor an alternative. Its bid for Trisdorf is closer to fruition. But many analysts believe the combined might of Thyssen and the Deutsche Bank will block any further wide-ranging acquisitions in the West German market.

It seems likely, therefore, that the company will pursue smaller joint ventures and acquisitions to build a presence in specific market segments. Both Aristrain and Trisdorf would expand British Steel's sales to the European construction industry.



British Steel chairman: Sir Robert Scholey

The clearest opportunities for acquisitions will be among smaller, privately-owned companies in the more fragmented industries of Italy and Spain.

But Mr Aylen believes the company may, in time, have to mount a direct challenge to the German steel establishment by building its own cold rolling mill in southern Germany.

Grand cross-border alliances of the sort between Hoesch and Hoogovens of the Netherlands, which collapsed in 1982, will return to the industry's agenda. But not yet. A sweeping restructuring is still some way off. In the meantime, British Steel will join Europe's other steel producers uneasily preparing for the end of the phoney war.

Philips sued by angry US investors

By Laura Raun in Amsterdam and Alan Friedman in New York

PHILIPS of the Netherlands, the troubled electronics company, is being sued by a group of angry US shareholders for allegedly misleading them about business prospects and earnings.

Also named in the lawsuit is Mr Cor van der Klugt, the 65-year-old executive chairman of Philips who is being replaced following a crisis of confidence.

The crisis was sparked by the company's recent revelation that its first-quarter earnings fell substantially short of earlier expectations.

The case, although brought by small shareholders, represents an unusual instance of US investors bringing a suit against a European company on the grounds of corporate reporting.

The initial plaintiff is Ms Linda McLatchie, a small investor with just 1,000 shares, but a motion is to be filed shortly in New York to certify the suit as a class action, thus representing all US-based Philips shareholders.

The lawsuit, which was filed in a federal court in New York, alleges that, between January 8 and May 3 of this year, Philips engaged in "a continuous course of conduct and conspiracy to conceal adverse material information regarding the finances, financial condition, and future business prospects."

Mr van der Klugt and other Philips defendants named in the suit are accused of employing "devices, schemes and artifices to defraud" and engaging in other acts "in an effort to maintain artificially high market prices for the common stock of Philips."

Among these alleged acts are the "making of untrue statements of material facts."

On May 3, Philips announced that first-quarter net profit excluding extraordinary gains amounted to Fl 6m ($3.2m), against Fl 223m a year earlier. A stunned stock market quickly pushed the shares down by $2\frac{7}{8}$ – a drop of 14.4 per cent.

The lawsuit seeks unspecified damages from Philips, which at the time of the announcement of its results said it was "astonished" by the poor performance.

Only three weeks earlier, Mr van der Klugt had told shareholders that business was on course for higher earnings.

Mr Steven Ostereich, the lawyer representing Ms McLatchie, said he understood there were four or five similar, but separate suits against Philips.

BSN puts its US biscuits operations up for sale

By George Graham in Paris

BSN, the leading French foods group, is putting its US biscuits division up for sale to leave its hands free for expansion in eastern Europe and Asia.

The division, including the Salerno and Mother's Cake and Cookie companies, had sales of almost $200m last year, but claims a market share of only 5.7 per cent in the 1.2m tonnes a year US biscuit market.

BSN acquired the US companies in 1986 when it bought Générale Biscuit, the leading French biscuit group with brands such as Lu, Heudebert and L'Alsacienne.

At the end of 1988, however, it sold part of the US activities, the sub-contracted manufacture of biscuits for the Girl Guides and other organisations, to Weston Foods of Canada.

Last year, the French group sharply expanded its biscuits operations by buying five European biscuit and snack companies from RJR Nabisco for $2.5bn. It then sold the snack businesses to PepsiCo of the US for $1.35bn, leaving it with Belin in France, Jacobs in the UK and Saiwa in Italy.

Earlier this year, BSN completed its round-up of Nabisco's businesses by joining forces with Mr Rajan Pillai, the Indian industrialist, to take control of the US conglomerate's former subsidiaries in India, Pakistan, Malaysia, New Zealand, Singapore and Hong Kong.

The company said yesterday that it was putting the US biscuit companies up for sale to concentrate on these faster growing markets, as well as on eastern Europe, where it has already set up a joint venture plant in East Germany to produce its Danone and Gervais yoghurts and dairy desserts.

Mr Antoine Riboud, BSN's chairman, has always said that his strategic focus is Europe.

The company said yesterday, however, that this did not call into question BSN's other US activities.

News Corp sells US publishing business to Wolters Kluwer

By Karen Zagor in New York

HARPER Collins, the book publishing arm of Mr Rupert Murdoch's News Corp, has agreed to sell its US medical publishing unit, J. B. Lippincott, for more than $250m. The purchaser is Wolters Kluwer, a Dutch publisher specialising in professional, scientific and educational books.

The price was at the upper end of the $200m to $250m which analysts had expected Lippincott to fetch. The Philadelphia-based publisher, which was founded in 1792, has annual earnings of about $15m to $20m on sales of about $100m.

News Corp, which has more than $6bn in long-term debt, put Lippincott up for sale in April as part of its efforts to cut Harper's debt by $500m. News Corp is also selling a bookstore chain in Australia.

Mr Murdoch recently said he planned to concentrate on the UK's Sky Television, which has accumulated operating losses of more than £250m, and that he would not be making any major acquisitions for the next two to three years.

In 1987, Mr Murdoch paid $293m for all of Harper & Row, which had acquired Lippincott in 1978 for $16m and the assumption of about $15m in debt.

The Lippincott acquisition will make Wolters Kluwer one of the largest medical publishers in the US. The Dutch company already owns Raven Press and Aspen publishers. Shares in News Corp added $\$\frac{3}{4}$ to $\$15\frac{3}{4}$ at mid-day yesterday on the New York Stock Exchange. Last year the shares traded in a range of $\$16\frac{3}{4}$ to $\$27\frac{7}{8}$.

In the US, News Corp recently agreed to sell the Star, a down-market tabloid weekly newspaper for $400m, including $200m in cash. News Corp started the Star 16 years ago to compete with the National Enquirer.

Mr George Craig, president and chief executive of Harper Collins, said the publishing house would concentrate on school, college, religious and general book publishing.

The company has boosted its presence on the US best-selling list by courting famous authors. Harpers recently spent $1m on the rights for E. L. Doctorow's novel, Billy Bathgate. Other best-sellers on the Harpers list include Barbarians at the Gate which chronicles the takeover battle for RJR Nabisco.

The Lippincott deal is expected to be completed by June 29 and is subject to regulatory approval.

This announcement appears as a matter of record only.

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April, 1990

INTERNATIONAL COMPANIES AND FINANCE

TV production company leaps 54%

By Raymond Snoddy in London

CARLTON Communications, the television production, equipment and services company which has seen its shares fall sharply on the London Stock Exchange in recent weeks, yesterday unveiled a 54 per cent increase to pre-tax profits of £64.9m ($104m) for the six months to March 30.

This result was a little higher than some analysts were predicting. But the group's shares initially dropped another 30p, largely because of the notes of caution in a statement from Mr Michael Green, chairman. The share price closed yesterday 25p at down at 515p.

"I am aware that there is greater competition in some of Carlton's markets and that the general economic climate may affect orders in the short term," said Mr Green.

He added that there had been an overall reduction in pre-tax margins, although the first six months had shown good organic growth and the prospects for the television industry remained encouraging.

The supply of products and services to the television, film and video industries, Mr Green said, "have been, and continue to be, industries with above average growth due to more broadcasting hours, technological change, and the emerging 'sell-though' video market."

Revenues rose by 72 per cent to £405m. The interim dividend is being increased by 80 per cent to 5.508p and a final dividend of 8.551p net is forecast. This would bring the total payment for the year to 14.059p net, an increase of 50 per cent.

For the six months, earnings per share changed little at 22.02p (21.83p) because of the issuing of new shares.

Miss Bronwen Maddox, television analyst at Kleinwort Benson, yesterday described the results as "all right," but emphasised that Mr Green's statement was extremely cautious about the future.

"It's a company slowing down," she said. She will be reducing her forecast for the full year from £165m to £158m.

That is in turn a scaling back from the £172m Kleinwort was predicting before December.

Six months ago, Carlton's shares stood at 850p. They hit a low of 480p on April 24 and then came back to 545p by the end of last month.

For the first time, Carlton broke down its turnover and pre-tax profit figures for its main divisions. Pre-tax profits for television, video and sound products increased from £28.16m to £40.8m on turnover up from £119.6m to £229.

Television and film services' profits rose from £9.2m to £13.5m on turnover up from £82.2m to £95m, while profits of associated companies declined.

Lex, Page 20

Ambitious Amber Day set to buy stores group

By John Thornhill in London

AMBER DAY, the ambitious fashion retailing group which owns the Woodhouse and Review menswear chains, is offering £46.7m ($78.9m) for What Everyone Wants, the curiously-named Scottish clothing store group.

The proposed acquisition will represent a significant expansion of Amber Day's activities as the company currently has a market value of £22.5m and turns over only one third of Wew's sales.

Wew's stores, based mainly in Scotland and the north of England, trade under the names What Everyone Wants and What Shoppes. About 80 per cent of the sales comes from clothing but the stores also sell fashion accessories, jewellery, toys and other consumer goods.

The company, based in Glasgow, was founded by Mr Gerald Weisfeld in 1971. He and his wife, Vera, built the company up into a chain of 37 stores with 542,000 sq ft of selling space and 1,500 employees. Wew is wholly owned by the Weisfelds and their family trusts.

The Weisfelds will continue to run Wew but will also become directors of Amber Day and own 15.1 per cent of the enlarged group. The £46.7m consideration will be met by a mixture of cash, loan stock and shares. Amber Day is to raise £18.2m through a five-for-eight rights issue at 45p per share to fund part of the cost of the acquisition.

The issue has been fully underwritten by Samuel Montagu. Mr Philip Green, chairman, said: "Even in today's conditions in the retail market you can get support for the right deal." Amber Day's shares were suspended on the London Stock Exchange last week at 48p pending this announcement. Following the acquisition, however, the enlarged group's net liabilities will amount to £3.18m but Amber Day is confident the deal will enhance earnings.

In the 51 weeks to January 20, Wew made pre-tax profits of £6.64m on sales of £75m.

Lex, page 20

Warburg's B&C rescue attracts creditors' fire

By David Owen in London

THE British & Commonwealth rescue plan drawn up by S.G. Warburg, the merchant bank, came under fire yesterday from interested parties including a bank with significant amounts on loan to the stricken financial services group.

"There is a belief that the organisation, sold off over a reasonable time, is worth more than its debts," a bank representative said. "Warburgs have overplayed their hand."

"The company created this mess," said a representative of an investment group with a holding of B&C's 7¾ per cent convertible unsecured loan stock 2000 (CULS). "It is not very inspiring to think they are going to clear it up."

The plan reportedly envisages the orderly disposal of all bar a small rump of B&C's businesses, raising £835m ($1.36bn) by the end of next year. This would be reduced to £483m under forced sale conditions, the plan suggests.

An orderly liquidation would yield £230m for Exco International, the money broker, £88m for Oppenheimer Management Corporation, the US mutual fund manager, £160m for B&C Merchant Bank and Stock Group and £155m for Abaco Investments, the professional services unit, the plan says.

Though B&C refused yesterday to vouch for the accuracy of the weekend reports, spokesmen for three organisations familiar with the Warburg proposals said the reports were substantially correct.

Lenders, including the banks, other senior creditors and second-tier CULS holders mulled over the plan. Senior creditors face a 25 per cent write down of the more than £700m owed to them, with the balance converted to newly-issued "C" preference shares and ordinary shares. Barclays Bank, which is leading a group of 10 leading bank creditors, said on Sunday no decision on the plan had been reached, but said banks were keen to avoid a forced liquidation.

Meanwhile, more holders of the £320.5m worth of B&C CULS, who face a 70 per cent write-down of their investment into ordinary shares under the Warburg plan, have written to Royal Exchange Trust, newly appointed attorney for the issue, to demand repayment.

To date, holders of more than £11m of the stock have confirmed to the Financial Times that they have taken this action. Should this figure reach £64.1m or 20 per cent, B&C would be asked to repay the entire issue at par or face the prospect of being put into liquidation.

Significant CULS holders include National Coal Board Pension Fund Nominees with £7.8m, Nihon Tanshi of Tokyo with £4.4m, Husalko APS of Denmark with £2.4m and Messrs Richard Jeune, Keith Baker and Ian James of Jersey-based Mourant & Co with £12.2m, according to lists obtained from the registrar.

Baer lifts payout and offers bonus

By William Dullforce in Geneva

BAER HOLDING, the Swiss banking and investment group, is increasing its dividend and making a bonus issue of participation certificates after posting a 21 per cent rise in net earnings to SFr34.1m ($24.4m) for the year ended March 1990.

The dividend is to go up from SFr190 to SFr210 per bearer share, from SFr38 to SFr42 per registered share and from SFr7.60 to SFr8.40 per participation certificate.

To celebrate the centenary of Bank Julius Baer, it also plans a bonus participation certificate for each holding of five bearer shares, or for each 25 registered shares, or 125 participation certificates.

To streamline the capital structure, the board has decided to convert the participation certificates into shares "in the not too distant future."

In January Bank Julius Baer reported a 21 per cent jump in 1989 net earnings to SFr44.7m, while consolidated net earnings of Baer Group rose by 23 per cent to SFr60m.

● Georg Fischer, the Swiss industrial group, has acquired a 51 per cent stake in Fittings Traisen, which produces tube fittings and is a subsidiary of Austria's state industrial group Voest-Alpine.

Dassaults win back stake in BPI

By George Graham in Paris

THE DASSAULTS, a legend in France's aviation history and in its financial world, are to get their own bank again, after buying a 40 per cent stake in Banque Parisienne Internationale (BPI).

The family will acquire a 35 per cent stake from Paribas, the investment banking group. Paribas took 71 per cent control of BPI last year to restore the troubled bank, hit like many other banks focused on the Middle East, by the decline in their main market. The family will buy another 10 per cent from Sofical, holding company of Mr Vincent Bolloré, and 5 per cent from Euris, the investment group headed by Mr Jean-Charles Naouri.

Paribas will remain the largest shareholder, with 46 per cent, but Mr Laurent Dassault, grandson of Mr Marcel Dassault, the aviation pioneer, and son of Mr Serge Dassault, current chairman of the partially nationalised aircraft company, will become managing director under the chairmanship of Mr Alain de Wulf.

The Dassaults have traditionally had a finger in the financial pie through the Banque Commerciale de Paris, which merged with the Vernes family bank only to be nationalised in 1981. They then joined Mr Jean-Marc Vernes in the purchase of Banque du Marais, where Mr Laurent Dassault has until now been a director.

BPI had to be overhauled last year, making operating provisions of FFr740m ($135m) at the end of 1988. It now has capital of FFr100m and total assets of around FFr1bn.

● Canal Plus, the French pay television company, has agreed to take a 5 per cent stake in Carolco Pictures, the Hollywood independent film studio, for $30m.

The French group, which operates a successful coded films channel in France and has satellite and cable interests in West Germany, Belgium and Spain, said it would acquire a new series of Carolco preferred stock. It will also receive a warrant to buy 150,000 ordinary shares at $18.50 each.

The deal will give Carolco access to Canal Plus's European distribution outlets.

Villeroy & Boch in big flotation

By Andrew Fisher in Frankfurt

VILLEROY & Boch, the West German tableware, tile and sanitaryware company, is coming to the stock market next month with a preference share issue that is expected to raise around DM400m ($240m), which will make it the largest flotation in Germany so far this year.

The company employs 12,500 people at plants in France, West Germany and Luxembourg. Last year it achieved a turnover of DM1.45bn, a rise of nearly 10 per cent, with net income totalling roughly DM43.5m against DM36m in 1988. The voting shares and existing preference shares are owned by 145 shareholders from the founding families.

Villeroy & Boch, based in the Saar region which borders on France and Luxembourg, is aiming for a turnover in 1995 of around DM2.5bn, allowing for likely acquisitions. Of this, some DM600m is expected to come from tiles, its biggest division with a turnover last year of DM520m. Sanitaryware and tableware, which contributed DM400m and DM430m respectively to 1989 sales, should account for some DM900m each of the projected mid-1990s turnover.

The issue, the largest since the DM778m share offering in the GEA engineering company last December, will comprise 700,000 non-voting preference shares, with the issue price expected to be around DM600. Leading the issuing consortium will be Deutsche Bank, joined by other German, French and Swiss banks. The issuers hope to attract a wide spread of foreign shareholders.

Bouygues sees slowing turnover

By William Dawkins in Paris

BOUYGUES, Europe's largest construction group, yesterday forecast that turnover growth would slow fractionally this year due to flat demand for house and road building in France, but that other activities would continue to expand at normal rates.

Mr Martin Bouygues, group chairman, said turnover was expected to rise by 14 per cent to FFr53.5bn ($9.5bn) in the current year. "The prospects for 1990 are favourable," he said.

Last year's sales rose by 15.5 per cent to FFr47bn from FFr40.7bn in 1988. Group net profits increased from FFr519m to FFr573m in the same period and would improve again in 1990, he said.

Bouygues declined to give a precise profits estimate for 1990. However, it predicted earnings from civil engineering, accounting for nearly 30 per cent of turnover, would rise, while profits from road building – 38.7 per cent of turnover – would stagnate.

Profits from the property division would increase, as would earnings from non-construction activities including TF-1, France's leading private television channel in which Bouygues has a 25 per cent stake.

Turnover from Bouygues' diversification activities is expected to rise by 63 per cent from FFr6.3bn to FFr10.3bn this year.

At this level they would constitute a record 19.2 per cent of group sales.

Norway to partly privatise steel group

By Karen Fossli in Oslo

NORWAY is partly to privatise Norsk Jern Holding (NJH), the holding company for a set of iron and steel companies, in which the state will retain a 20 per cent stake until suitable buyers can be found.

Elkem, the Norwegian light metals group, has agreed to buy a 45 per cent stake in NJH for NKr270m ($42m), and an unnamed private group of Norwegians is to buy 35 per cent.

The announcement marks the start of a restructuring of the Norwegian steel industry. It calls for the establishment of a Scandinavia-based producer of long steel products.

NJH, with 3,700 employees, has a history of financial problems, although it made profits of NKr145m in 1989.

Political sensitivity over privatising state companies has forced Norway's Government to look only to home investors.

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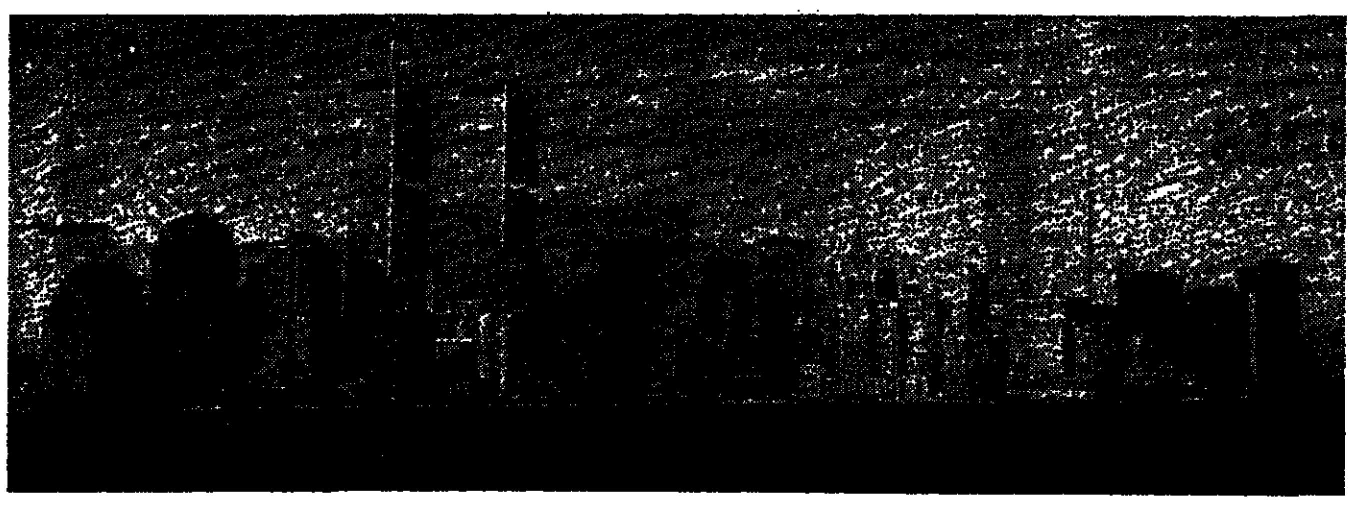

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AMER GROUP LTD

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Amer Group Ltd will be held at Congress Hall C-1 in Helsinki Fair Centre, address: Rautatieläisenkatu 3, Itä-Pasila, 00520 Helsinki (entrance from the main entrance of the conference wing) on Thursday 14th June 1990 at 2 p.m.

The meeting will deal with matters complying with article 15 of the Articles of Association.

According to the Articles of Association, any shareholder wishing to attend the Annual General Meeting should inform the company's Head Office by telephoning +358-0-757 7261 or by letter to Amer Group Ltd, P.O. Box 130, 00601 Helsinki, Finland, not later than 11th June 1990. A shareholder who has not been entered in the share register must provide evidence of his title to his share.

The dividend proposed by the Board of Directors shall be payable, subject to the approval by the Annual General Meeting, at any office of Kansallis-Osake-Pankki in Finland from 15th June 1990.

Copies of the documents concerning the closing of accounts are open for inspection by the shareholders from 6th June 1990 at the Group's Head Office in Helsinki. Upon request, the company will also send copies of the said documents to the shareholders.

Helsinki 22nd May 1990

BOARD OF DIRECTORS

IN THE HEART OF MANHATTAN
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Off Park Avenue
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New York, N.Y. 10022
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The Lombardy
NEW YORK

U.S. $400,000,000
Banque Française Du Commerce Extérieur
Guaranteed Floating Rate Notes due 1997

For the three months May 22, 1990 to August 22, 1990, the Notes will bear interest at $8\frac{11}{16}$% per annum. U.S. $222.01 will be payable on August 22, 1990, per U.S. $10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
May 22, 1990
CHASE

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U.S. $100,000,000
Taiyo Kobe Finance Hongkong Limited
Guaranteed Floating Rate Notes Due 2004
Guaranteed as to payment of principal and interest by
The Mitsui Taiyo Kobe Bank, Limited

Interest Rate	$8\frac{5}{8}$% per annum
Interest Period	22nd May 1990 23rd November 1990
Interest Amount per U.S. $10,000 Note due 23rd November 1990	U.S. $443.23

Credit Suisse First Boston Limited
Agent Bank

U.S. $100,000,000
Allied Irish Banks plc
Undated Floating Rate Notes
Subordinated as to payment of principal and interest

Interest Rate	$8\frac{13}{16}$% per annum
Interest Period	22nd May 1990 23rd November 1990
Interest Amount per U.S. $10,000 Note due 23rd November 1990	U.S. $452.86

Credit Suisse First Boston Limited
Agent Bank

CITICORP
U.S. $350,000,000
Subordinated Floating Rate Notes Due August 14, 2011

Notice is hereby given that the Rate of Interest has been fixed at 8.5625% p.a. and that the interest payable on the relevant Interest Payment Date August 22, 1990 against Coupon No. 16 in respect of US$10,000 nominal of the Notes will be US$218.82 and in respect of US$250,000 nominal of the Notes will be US$5,470.49.

May 22, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank
CITIBANK

Den norske Bank
Primary Capital Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 22, 1990 to August 22, 1990 the Notes will carry an Interest Rate of 8.6875% p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$222.01.

May 22, 1990 *London*
By: Citibank, N.A. (CSSI Dept.), Agent Bank
CITIBANK

INTERNATIONAL COMPANIES AND FINANCE

US and Japan companies in life assurance deal

By Stefan Wagstyl in Tokyo

ORIENT Corporation, one of Japan's largest consumer finance companies, is planning to enter the life assurance market through a joint venture with Combined Insurance Company of America, a medium-sized US insurer.

The move highlights the growing self-confidence of Japan's non-bank financial companies, which have expanded rapidly in the past decade.

The announcement coincides with US-Japan financial talks in Tokyo this week. US complaints about a lack of access to Japanese financial markets are a key item on the agenda.

Orient hopes to win approval for its proposals from the Japanese Ministry of Finance soon. The ministry is keen to increase competition in the Japanese life assurance industry. The Insurance Council, an advisory body, recently submitted a report recommending more freedom of entry into the industry. There are only 24 life companies in Japan, 20 of which date back to before the Second World War.

Combined Insurance, a subsidiary of Aon Corporation, a financial services group, is the 31st largest insurer in the US. It has had a branch in Japan since 1982, but has grown only slowly. Its assets in Japan total Y4.7bn ($30.8m).

Orient is the top profit-earner among Japan's consumer credit companies. In the year to March it achieved record pre-tax profits of Y32.5bn as total lending rose 26.7 per cent to Y5,200bn.

Orient's links with Combined date back to 1986 when the companies co-operated in selling medical insurance to Orient's loan clients. Each will have a 50 per cent share in the life assurance joint venture, which will be capitalised at Y10bn.

The giant Japanese life companies which dominate the market sell their products through branch offices and teams of part-time door-to-door saleswomen.

Orient intends to rely heavily on using its clients as agents — the real estate brokers, car sales groups, resort operators and other companies which use its consumer credit services. Orient believes it can compensate for being a latestarter in life insurance by using this ready-made network.

The last Japanese company to enter the life assurance market was Seibu Department Stores, the retail group, in a venture with Allstate Insurance of the US in 1979. Before that Sony, the electronics group, established a venture with Prudential Life Insurance Company, also of the US.

Although profitable, neither has made much impression on the dominance of the traditional Japanese life groups.

Monsanto confident in spite of downturn

By Peter Marsh

MONSANTO, the US's fourth biggest chemicals business, is predicting record profits for 1990. This is bucking the trend in the world chemical industry, which is in a downturn and is being guarded about prospects for the next few years.

Less than half way into a year that has started badly for many chemicals groups, Mr Francis Stroble, Monsanto's chief financial officer, said he was confident the company would show increased earnings for 1990.

Last year the company recorded net income of $679m on sales of $8.68bn, after record earnings in 1988. Monsanto suffered a 13 per cent fall in first-quarter profit for 1990, but says this was largely due to seasonal factors affecting agrichemical sales.

Mr Stroble said his forecast followed the radical changes the company has made since the early 1980s. Over this period, Monsanto has virtually dropped out of commodity chemicals such as bulk plastics and other low-value industrial materials.

It has concentrated instead on products deemed to have higher long-term growth, such as agrichemicals, drugs and high-value plastics.

"We have made a major restructuring aimed at the long term, at a time when many other companies are looking only a few years ahead," said Mr Stroble.

Industry analysts are undecided about Monsanto's approach. Mr Avi Nash, a chemicals analyst at Goldman Sachs, a New York bank, said Monsanto had a "decent chance" of beating last year's profit figure.

Mr Anantha Raman, who runs an independent financial-consulting company in New Jersey, is less certain. He said: "If Monsanto demonstrates an increased performance (in 1990), it will be marginal. The company has a lot of new product ideas, but the jury is still out as to how well it will do in the longer term."

As part of the changes, Monsanto is spending more than $600m on research and development in 1990. Much of this is linked to biotechnology and is aimed at new drugs and agricultural chemicals.

In the rest of the chemicals industry, growth in demand and prices for many types of commodity materials have slowed.

K mart up slightly on improved sales

By Karen Zagor in New York

K MART, the second largest US retailing group, yesterday reported a modest increase in first-quarter earnings on strong sales.

Net income for the three months ended May 2 grew 6.4 per cent to $100.1m or 50 cents a share from $94.1m or 47 cents a year earlier.

Sales in the latest quarter rose sharply, by 16.1 per cent to $7.04bn from $6.07bn the previous year.

The Troy, Michigan-based company said gross margins as a per cent of sales fell to 26 per cent in the latest quarter from 27.8 per cent a year earlier.

The company attributed the decline to the shift to lower pricing for goods throughout the year, rather than holding sales, and the acquisition of the low-margin PACE Membership Warehouse operations.

Net interest expense on debt soared 70.2 per cent to $56.5m in the latest quarter from $33.2m a year ago, mainly because of higher inventory levels from the acquisition of PACE, which led to greater short-term borrowings.

K mart's selling, general and administrative expense ratio slipped 1.9 per cent to 23.3 per cent of sales in the 1990 first quarter from 25.2 per cent a year earlier.

Mr Joseph Antonini, K mart's chairman and chief executive said: "We are encouraged by the improvement in sales in the first quarter."

He said the company expected "an improving trend in sales and earnings" in the remainder of 1990.

According to Mr Antonini, K mart's inventory position has improved significantly since the end of 1989, and the company expected a further reduction in stock level over the next few months.

Barlow Rand hit by S African slowdown

By Philip Gawith in Johannesburg

BARLOW RAND, South Africa's largest industrial group, suffered an 8.2 per cent decline in pre-tax profit to R1.1bn ($417m) in the six months to March because of a slowdown in the local economy and difficult conditions in the world stainless steel market.

Turnover was 11.4 per cent up at R13.85bn, but the group's operating margin was reduced from 10.4 to 8.9 per cent.

The brunt of the setback was felt by the ferro-alloys and stainless steel division. They suffered a 46 per cent fall in earnings due to lower commodity prices and a softening of demand for exports such as coal, chrome and stainless steel.

Of the four main divisions, only food and pharmaceuticals increased the contribution to group after-tax profit, and then by only 2 per cent. Mining and mineral beneficiation fell 18 per cent, industry 9 per cent, and packaging and textiles 8 per cent.

Mr Warren Clewlow, chief executive — who is also chairman of the State President's Economic Advisory Council — is sanguine about the difficult trading conditions expected to continue into the next financial year. He argues that it is a result of policies which offer the country better economic fundamentals.

Mr Clewlow says he is "quite pleased" with the results.

Earnings per share were 9.3 per cent down at 218.4 cents, but the dividend was maintained at 51 cents per share.

Hees International lifts earnings 26%

By Robert Gibbens in Montreal

HEES International Bancorp, a key merchant banking and financial services group in the Peter and Edward Bronfman empire, lifted first-quarter earnings by 26 per cent, but a C$600m (US$513m) equity injection held per-share profit to a gain of 6 per cent fully diluted.

First-quarter earnings went ahead to C$68.5m or 66 cents a share fully diluted, from C$54.4m or 62 cents a year earlier on revenues of C$183m, up 27 per cent.

● Central Guaranty Trustco, a big Toronto-based financial services group controlled by Central Capital Corp, earned C$13m or 22 cents a share in the first quarter, down nearly one-third from C$18.5m or 31 cents a year earlier.

Gross revenues rose 12 per cent to C$450m and total assets under administration 13 per cent to C$27.7bn. Provision against loan and securities losses were up C$10.2m.

Central Capital, which owns 90 per cent of the trust company and is controlled by Montreal financier Mr Leonard Ellen, saw first-quarter profit fall to C$11m or 10 cents a share, down from C$28.2m or 34 cents a year earlier. Revenues rose 28 per cent to C$681m.

Central Capital has been restructuring some of its assets after aggressive expansion.

Stelco to join Mitsubishi in steel mill development

By Bernard Simon in Toronto

STELCO, Canada's second biggest steelmaker, intends to gain a bigger slice of orders from Japanese car and parts makers in North America through a partnership in a C$200m (US$171m) flat-rolled, galvanising facility with Mitsubishi Corporation.

Stelco will hold a 60 per cent equity stake and Mitsubishi a 40 per cent interest in the project.

The facility will be the first processing line in Canada capable of supplying 72-inch wide galvanised and continuously annealed steel. It will be located at Stelco's main Hilton works in Hamilton, west of Toronto.

About 35 to 40 per cent of Stelco's output is already earmarked for the automotive industry, but the company is keen to expand its business with Japanese and South Korean car makers, in particular the four assembly lines which have opened in Canada in the past few years.

These plants buy the bulk of their exterior steel requirements from US and Japanese suppliers.

● Birmingham Steel, the US group, has indefinitely suspended steel melting operations at its Norfolk, Virginia, facility, and will take a charge of about $6.9m or 57 cents per share against results for its fourth quarter ending June 30, Reuter reports.

Venezuela to invest $2bn in oil projects

By Joe Mann in Caracas

Maraven, a subsidiary of Venezuela's national oil company (PDVSA), is to invest nearly US$2bn in oil refining and petrochemical projects in Venezuela.

Mr Carlos Castillo, the president of Maraven, said his company would spend $1.2bn improving its Cardon refinery in western Venezuela. It also will develop a series of petrochemical projects costing $800m. These will be located in an industrial park next to the refinery.

The new petrochemical plants, most of which are to be joint ventures, will use Cardon's refining runs to extract a variety of specialised products for the domestic market and for export.

Mr Castillo said his company was evaluating several offers for technology and investment from international companies.

● Pechiney of France is to provide technology for a new aluminium smelter to be built in Venezuela's heavy industry centre at Ciudad Guayana.

The smelter, Alisa, is being designed to produce 215,000 tonnes a year of primary aluminium for export.

Partners in the venture are a group of Venezuelan private investors, who will hold around 73 per cent of equity, and the Venezuelan Government's CVG industrial group, which will have 25 per cent.

● Smith Corona, the US maker of typewriters which is 48 per cent owned by Hanson of the UK, has appointed Mr William Henderson as president and chief operating officer.

Mr Henderson, 43, has spent nine years at Hanson Industries, Hanson's US arm, as an executive officer and group vice president. He will take over the presidency from Mr Lee Thompson.

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place on May 30, 1990, at the registered office of the Company, 6 John B. Gorsiraweg, Curacao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

1. Report by Board of Supervisory Directors on the course of business of the corporation and on the administration conducted during the fiscal year ended November 30, 1989.
2. Discharge and subsequent re-election of the Board of Supervisory Directors.
3. Waiver of the requirements of the Articles of Incorporation regarding the period within which the Annual General Meeting of Shareholders is to be held and to consider this meeting as the duly held Annual General Meeting of Shareholders concerning the fiscal year ended November 30, 1989.
4. Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1989.
5. Further appropriation of the Net Result of the period November 30, 1988 through November 30, 1989.
6. Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1989 and as presented in the report of the accounting firm of Ernst & Young dated March 23, 1990.
7. Discharge and subsequent re-election of the Board of Managing Directors.
8. Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvomante Corporation N.V., authorising Yvomante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvomante Corporation N.V. 6 John B. Gorsiraweg, Curacao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvomante Corporation N.V. as to the voting of their shares by writing to Yvomante Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.
by: Pierson Trust (Curacao) N.V.
Managing Director.

FINA

PETROFINA

société anonyme
52 rue de l'Industrie - B-1040 Bruxelles
VAT No 403.079.441 - R.C. Bruxelles No 227.957

Dividend Notice

At the Ordinary General Meeting of May 11, 1990, the Shareholders decided to pay a dividend of BF 416 net of withholding tax to the 21,535,445 shares outstanding on December 31, 1989 coupons No 5 and following attached, and of BF 444 net of withholding tax to the 125,000 AFV-shares, coupons No 5 and following attached.

The dividend will be payable on or after May 22, 1990 against surrender of coupon No 5 at the offices of the following paying agents:

Banque Paribas Belgique Kredietbank Banque Bruxelles Lambert Générale de Banque
Banque Nationale de Paris Crédit du Nord
Banque Internationale à Luxembourg Banque Générale du Luxembourg
Algemene Bank Nederland Amsterdam-Rotterdam Bank
Commerzbank Deutsche Bank Dresdner Bank
Crédit Suisse Swiss Bank Corporation Union Bank of Switzerland
Credito Italiano Banque Belge Ltd.
as well as at the Company's registered office.

These Bonds having been sold, this announcement appears as a matter of record only.

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Banque Bruxelles Lambert S.A. — Chase Investment Bank
Crédit Commercial de France — Credit Suisse First Boston Limited
Daiwa Europe Limited — Deutsche Bank Capital Markets Limited
IBJ International Limited — LTCB International Limited
Merrill Lynch International Limited — J. P. Morgan Securities Ltd.
Morgan Stanley International — NatWest Capital Markets Limited
The Nikko Securities Co., (Europe) Ltd. — Paribas Capital Markets Group
Salomon Brothers International Limited — Shearson Lehman Hutton International
Swiss Bank Corporation Investment Banking — UBS Phillips & Drew Securities Limited
S.G. Warburg Securities

NEW ISSUE — MAY 1990

GENERALE

1989 dividends

The Annual General Meeting which has taken place today has decided to pay out the following dividends, net of withholding tax, as from 22 May 1990 (as from 28 May in France):
- BEF 04 on the 38,302,036 fully paid up ordinary "part de réserve" shares;
- BEF 60.455 on the 18,000,000 partially paid up ordinary "part de réserve" shares;
- BEF 100.90 on the 7,757,553 AFV "part de réserve" shares.

Dividends on bearer shares will be payable at branches of the following banks against remittance of coupon n° 31.

Generale Bank - London Branch
4, Bishopsgate, London, UK EC2N 4AN

This announcement appears as a matter of record only.

Winterthur Swiss Insurance Company

has acquired

General Casualty Company of Wisconsin

and its wholly owned subsidiaries

from

Reliance Group Holdings, Inc.

Citibank Mergers and Acquisitions
initiated this transaction
and acted as financial advisor to
Winterthur Swiss Insurance Company.
April 1990

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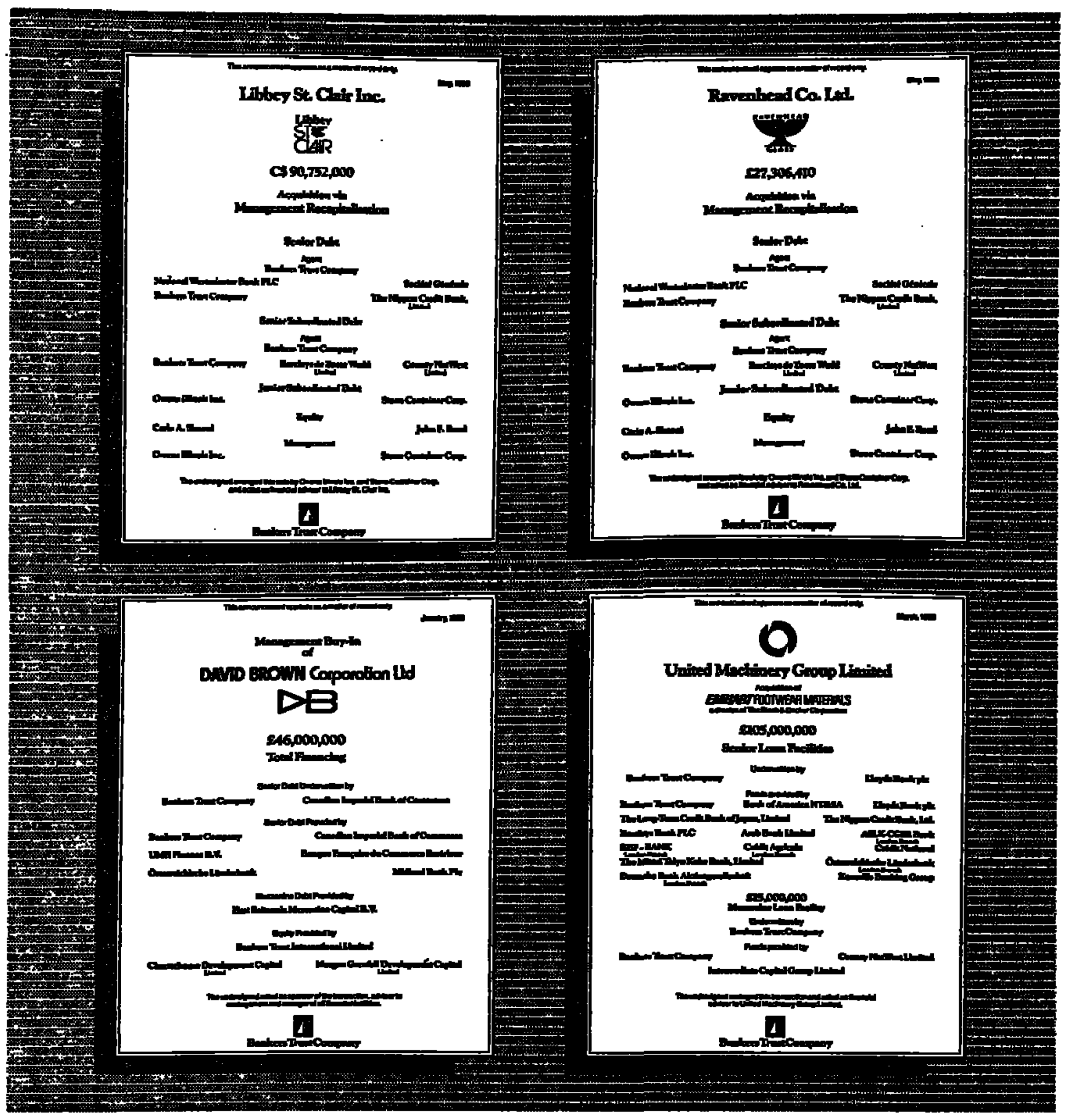

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Bankers Trust Company

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MEMBER OF TSA

INTERNATIONAL COMPANIES AND FINANCE

Deriding the conspiracy theory

Takeshi Nagano of Mitsubishi Metal talks to Robert Thomson

With a wave of the hand and a hearty laugh, Mr Takeshi Nagano, president of Mitsubishi Metal, dismisses concerns about Japan's reputedly conspiratorial *keiretsu*, the powerful corporate families cited by the US as a "structural impediment" to trade.

Mr Nagano has just presided over an agreement to merge his company and Mitsubishi Mining & Cement to create Mitsubishi Metal & Cement, which will have annual sales of Y900bn ($6bn) and — in the eyes of some Japanese — is set to become a symbol of the re-emergence of the industrial combines which dominated the country until after the Second World War.

Far from a backroom plot to dominate international industry, Mr Nagano portrays the merger as a simple decision taken over a humble meal in a Tokyo seafood restaurant with an old friend, Mr Masaya Fujimura, the Mitsubishi Mining president. And he says the other members of the Mitsubishi corporate family were not told until the day before the announcement last month.

"I did not even tell my wife about the merger. Firstly, I did not think it would be important news, and because insider trading is a big issue, I have to be careful because my wife likes to buy stock. I also did not tell my son, who is a journalist," he said.

Mr Nagano claims to be surprised by the space devoted to the deal in the Japanese press, although a comment he made about the deal marking "the end of the post-war era" focused attention on the role of the *keiretsu*. He suggests that outsiders tend to misunderstand *keiretsu*, and emphasises that there is nothing sinister about the way they do business.

He tells of having driven with Mr Fujimura around the Marunouchi business district of Tokyo, firstly calling on the presidents of Mitsubishi Corporation and Mitsubishi Bank ("I can't remember which one I saw first"), and then the heads of other companies at the core of the group, telling them of the already agreed merger plans.

Between the seafood dinner and the tour of Mitsubishi boardrooms, the corporate family had held a *keiretsu* monthly meeting, but Mr Nagano insists that the deal was not discussed. US trade officials have demanded that Japan's *keiretsu* make public the minutes of these monthly meetings, although Mr Nagano suggests that the conversations would make uninteresting reading.

"I have just come from one of these meetings. We had a lunch of mixed sandwiches, a piece of melon, and coffee. We talked about the use of the Mitsubishi name by members of the group. That was all.

"The fact is that we hold a very small amount of stock in each other. We don't have any obligations to each other. There is no contract. If someone wanted to take over a Mitsubishi company, then we would help. A *keiretsu* is a good thing."

The individual cross-holdings may be small, but the possibility of one of the 29 core companies being taken over is remote. Mitsubishi Metal, the country's largest smelter of non-ferrous metals, is 6.9 per cent owned by Mitsubishi Trust & Banking, 5.5 per cent by Meiji Mutual Life Insurance, another Mitsubishi group member, and 3 per cent owned by Mitsubishi Bank, among others. Mitsubishi Metal and Mitsubishi Mining & Cement were split after the war, when US occupation forces were dismantling the *zaibatsu*, the giant industrial combines among which Mitsubishi ranked behind only Mitsui. The former zaibatsu members have gradually rejoined the fold, with a merger of Mitsubishi companies in 1954 and the reorganisation of Mitsubishi Heavy Industries in 1964.

Mr Nagano, aged 67, has always been a Mitsubishi man. The company sent him to study extractive metallurgy at Columbia University for three years from 1953 and he laments that its school of mines is now struggling to find students. He is troubled that engineering has become an unfashionable occupation, and dislikes unbridled merger and acquisition activity, which he holds partly responsible for industrial decline in the US.

"It is terrible that solid companies are being taken over in the US. If these people want to run the company, then there is nothing wrong with these acquisitions, but they are often just interested in selling things. It affects the health of industry. It is miserable."

He equated "people forgetting how to make things" with "the tragedy of a canary forgetting how to sing," and said that, even in Japan, young engineers are turning away from their natural trades to take more comfortable jobs in insurance and the securities industry.

One motive for the merger is to make the two Mitsubishi companies more attractive to young Japanese, who, because of a growing shortage of labour, now have an average of almost three job offers each after graduation.

Another important motive was the sense of loss felt by the Mitsubishi traditionalists by the prolonged separation of the two companies. Mr Nagano explained that past Mitsubishi Metal presidents had wanted to reunite the companies, but the time was felt to be right for a more formal move at the end of March, when Mitsubishi Mining's last coal mine was closed in northern Japan.

"This was a serious problem which was solved very well. It involved the jobs of 1,000 people, and we wanted the shut-downs to go as smoothly as possible. We knew that when this was complete, we would talk about the merger, and the problem of the stock ratio."

That problem was settled in a few minutes of conversation in the seafood restaurant with Mr Fujimura. It was agreed that nine shares of Mitsubishi Metal shares would be allocated for 10 Mitsubishi Mining & Cement shares and that, dependent on a shareholders' meeting in June, the merger would proceed in December.

While Mitsubishi is one of the better known Japanese company names abroad, Mr Nagano said that the "Mitsubishi alone is not enough," and both companies thought it in their best interest to be bigger. "Big is beautiful," he joked.

The companies have worked together on projects, and both have diversified far from core businesses in recent years. They share a research facility and routinely exchange staff.

Mr Nagano will become chairman of the new company, and presumes that he will have three years at the top.

"I am not drinking or smoking now as I have a heavy responsibility. After my retirement I will enjoy smoking and drinking, and playing golf."

Takeshi Nagano: 'no business conspiracy in Japan'

Strong growth for Japanese bearings makers

By Martina Gannon in Tokyo

SUPPORTED by the thriving domestic car sales market, Japan's two foremost bearings makers have recorded profit gains and predict further advances as the automotive boom continues and sales of machinery parts flourish.

Nippon Seiko, the largest maker, was up 28.5 per cent to Y21.9bn ($143.2m) pre-tax in the year to March. The comparison was made by extrapolating the previous accounting period of 11 months to May 1989.

Sales rose 14.4 per cent to Y344.2bn on the same basis.

NTN, which vies with Nippon Seiko for the industry lead, also showed a pre-tax profit rise in its six-month accounting period to March. It was up 3 per cent to Y9.5bn over the previous half-year to September. Sales were flat at Y141.6bn as it worked to increase bearing production and improve profitability of exports.

Both groups foresee further pre-tax profit increases in 1990-91 — NTN to Y21bn for the year and Nippon Seiko to Y23bn.

Australian airline offers free travel

COMPASS HOLDINGS, which aims to become Australia's third main domestic airline, is offering shareholders free travel on top of dividends as it prepares for an equity raising and stock-market listing, Reuter reports from Sydney.

The airline is seeking A$50m (US$37m) in equity capital for development funds by an issue of 100m shares, according to Mr Bryan Grey, Compass chief executive. It is offering shareholders an annual travel credit equal to 10 per cent of the shares' 50 cent par value.

Compass has arranged to operate five new A300-600 Airbus aircraft between seven airports around Australia. It intends to have its first aircraft in the air in November. Australia's two-airline agreement ends on October 31.

The company forecasts net profit in the year to June 1991 of A$18.8m rising to A$80.5m by 1995. Its prospectus forecasts dividends of 10 cents a share in 1991, rising to 57.1 cents in 1995. The shares are to be issued next month.

Mr Grey said Compass would offer fares between 50 and 80 per cent lower than Ansett and Australian Airlines, and aimed to capture between 12.5 and 15 per cent of the domestic aviation market.

Pre-tax profits at Ebara rise by 24.7%

By Martina Gannon

PRE-TAX profits of Ebara, Japan's largest industrial pump manufacturer, rose 24.7 per cent to Y9.1bn ($59m) in the year to March.

The company, which last month bought a 20 per cent stake in Galileo Vacuum Tec, an Italian vacuum equipment maker, has seen robust sales of all its products as the expansion of the domestic economy continued.

Sales were up 8.9 per cent to Y185.71bn.

Hydraulic and pneumatic machinery sales were particularly good, followed by sales of refrigerating machines, the company said. Net income totalled Y1.2bn, compared to the Y1.33bn of 1988.

The group plans further plant reorganisation in 1991. It predicts pre-tax profits of Y10.5bn and sales of Y216bn.

BHP share deal case dropped

THE TRADE Practices Commission, Australia's monopolies regulator, has settled a dispute with Broken Hill Proprietary (BHP) over its participation in a consortium which bought New Zealand Steel, Reuter reports from Melbourne.

It has dropped its court case over BHP's purchase of 31 per cent. The Helenus consortium last year paid NZ$323m (US$185.1m) for the steelmaker.

The commission was worried about potentially reduced competition in some Australian markets.

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May 22, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

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At the Annual General Meeting of Shareholders held on May 17, 1990, the dividend for the 1989 fiscal year was fixed at Dfl. 1.90 in cash per Ordinary Share of Dfl. 5.00 nominal value — already made payable as interim dividend — and a final dividend that amounts to Dfl. 3.85 per Ordinary Share.

The final dividend may at the option of the shareholder be taken entirely in cash or Dfl. 1.20 in cash and nominal Dfl. 0.12 in new shares, chargeable to the tax free paid-in surplus or if so required out of 1989 net income.

Except for holders of New York shares, the final dividend will be payable from May 31, 1990 at the head offices of: Amsterdam-Rotterdam Bank N.V., Algemene Bank Nederland N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Nederlandse Middenstandsbank N.V., Pierson, Heldring & Pierson N.V., Bank Mees & Hope N.V., Kredietbank N.V., Brussels, Kredietbank S.A. Luxembourgeoise, Luxemburg, Schweizerischer Bankverein, Schweizerische Kreditanstalt, Schweizerische Bankgesellschaft, Zürich, Basel and Geneva, Deutsche Bank Aktiengesellschaft, Düsseldorf, J. Henry Schroder Wagg & Co. Ltd., London.

For shareholders wishing the dividend totally in cash, dividend coupon no. 24 will pay Dfl. 1.20, no. 25 will pay Dfl. 2.21 and no. 26 will pay Dfl. 0.44 after deduction of 25% dividend tax.

Shareholders of Ordinary Shares who opt for payment in shares will receive one new Ordinary Share of Dfl. 5.00 upon surrender of dividend coupon nos. 25 or 26 from 50 or from 250 Ordinary Shares, respectively, which new shares will participate fully in the results for 1990 and subsequent years. Dividend coupons nos. 25 and 26 rank peri passu.

After June 29, 1990, the final dividend is only payable in cash. Coupons should be surrendered to N.V. Nederlandsch Administratie-en Trustkantoor, N.Z. Voorburgwal 326-328, 1012 RW Amsterdam, The Netherlands.

The published rates of commission will be paid to members of the Amsterdam Stock Exchange to enable them to exchange dividend coupon nos. 25 and 26 without charging commission to Shareholders. Rights to payment of dividend in the form of Ordinary Shares will be made available to holders of CF Certificates through the intermediary of the institutions acting as custodians of the coupon sheets to their shares at the close of business on May 17, 1990.

Shareholders requesting their bank to accept/release securities in connection with the surrender of coupons will be charged the usual standard fee for deposition/withdrawal according to the schedule of charges of the Association of Netherlands Bankers (Nederlandse Bankiersvereniging).

The Executive Board

The Hague, May 17, 1990.
50 Mariahoeveplein

INTERNATIONAL CAPITAL MARKETS

Slow start expected for Oslo options trading

By Karen Fossli in Oslo

TRADING in options on five Norwegian securities on the Oslo stock exchange is expected to get off to an "extremely slow start" today after a storm which stalled its launch for more than three years.

According to Oslo-based Moorgate Options the Norwegian Finance Ministry had only late yesterday provided the necessary concessions for trading and had yet to give official acceptance of the two clearing entities – Norsk Opsjonsmarked (NOM) and Norsk Clearing Central (NCC).

"There are too few participants ready to go and those which are ready will have only a limited client base," according to Mr Peter Warren of Moorgate Options.

"This is really too bad, for the first day's trading volume is normally a measure of how successful trading will be, but in our case the first day of trading will be totally unrepresentative of the success we can expect," he said.

Oslo is to trade options for five securities including Bergesen, Den norske Bank (DnB), Hafslund, Norsk Hydro and Saga Petroleum although market makers for just three stocks – Bergesen B shares, Norsk Hydro and Saga Petroleum – have been declared.

"I think they should have waited to open until everything was in place and brokers understood clearly the rules and had established a customer base," Mr Warren suggested.

On May 11, OM London, a subsidiary of the Stockholm Options (OM), commenced trading options on three Norwegian stocks but has so far had limited success. Norway's regulators intervened last Friday to prohibit Norwegian brokers from trading options in London, in a bid to pre-empt OM from gaining an edge on Oslo, although changes to the rules are being worked out.

In Oslo, buyers and sellers may clear their trades in separate clearing entities, that is, "cross clearing," with one clearing house putting up margin requirements for the other.

DTB to launch futures contracts

By Katharine Campbell in Baden-Baden

THE DEUTSCHE Terminbörse (DTB) plans to introduce futures contracts from September 10 over an extended 10-hour trading day on the electronic West German exchange.

In an attempt to emulate the almost instantaneous price transmission of a physical futures pit, the exchange and consultants have been working for over a year to revise considerably the existing options technology. DTB members have yet to be shown the new screen format.

The contracts, futures based on 10-year West German government bonds and on the DAX blue chip equity index, marks the first expansion of the DTB's product list since it began trading options on 14 leading West German equities in January. They will be traded between 8am and 6pm, a hefty extension of the current 4½-hour day.

The bond future will pose a direct challenge to the almost identical product which has traded highly successfully on Liffe for two years.

Mr Jörg Franke, chief executive of the DTB who is hoping to attract an unspecified proportion of London's business back home, noted that the official market for cash bonds was in Germany, even if prices were often determined by how the futures contract moved in London.

Speaking at a seminar in Baden-Baden, arranged by CRM Securities, the Frankfurt broker, he added that the exchange would tackle the wide bid-offer spreads currently besetting parts of the market by proposing a series of spread limits valid for orders of at least 10 contracts.

At a meeting on June 11, the DTB board will decide on this and other matters, including whether to add a short-term D-Mark interest rate future in competition with the instruments already listed in London and Paris.

The board is also likely to discuss whether to replace the very thinly traded Allianz option, with a contract on the power company, Rheinisch-Westfälisches Elektrizitätswerk.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅞ 93	140	100¾	101⅛	-0⅛	-0⅛	9.18
B.F.C.E. 8¾ 94	175	96⅝	96⅞	0	-0⅛	9.35
B.F.C.E. 9¼ 95	150	99½	99⅞	-0⅛	-0⅛	9.41
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 5⅝ 93	80	96¼	96½	-0⅛	-0⅛	6.93
Cr.Local France 6¼ 94	300	97¼	97½	-0⅛	-0⅛	6.53
Denmark 6¼ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]						

OTHER STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS / DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS						
[illegible]						

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; State Bank of Victoria; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, May 21, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights May 18, 1990 United Kingdom £0.782673 United States $1.32444 Germany West D Mark 2.18599 Japan Yen202.374 European Currency Unit Rates May 21, 1990 United Kingdom £0.730057 United States $1.23672 Germany West D Mark 2.04924 Japan Yen189.712

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, May 21, 1990

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Correction Notice

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For the six months 15th May, 1990 to 15th November, 1990 the Notes will carry an interest rate of 8.725% per annum with coupon amount of U.S. $445.94 payable on 15th November, 1990.

Bankers Trust Company, London Agent Bank

Banque Indosuez

U.S. $125,000,000 Floating Rate Notes due 1997

For the three months 21st May, 1990 to 21st November, 1990 the Notes will carry an interest rate of 8⅝% per annum and coupon amount of U.S. $450.42 per U.S. $10,000 Note, and U.S. $11,260.42 per U.S. $250,000 Note.

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Bankers Trust Company, London Agent Bank

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 21st May, 1990 to 21st November, 1990 has been fixed at 8.6825 per cent. per annum.

The amount of interest payable on the relevant interest payment date, 21st November, 1990 will be U.S. $4,724.17 per U.S. $100,000 principal amount of Notes.

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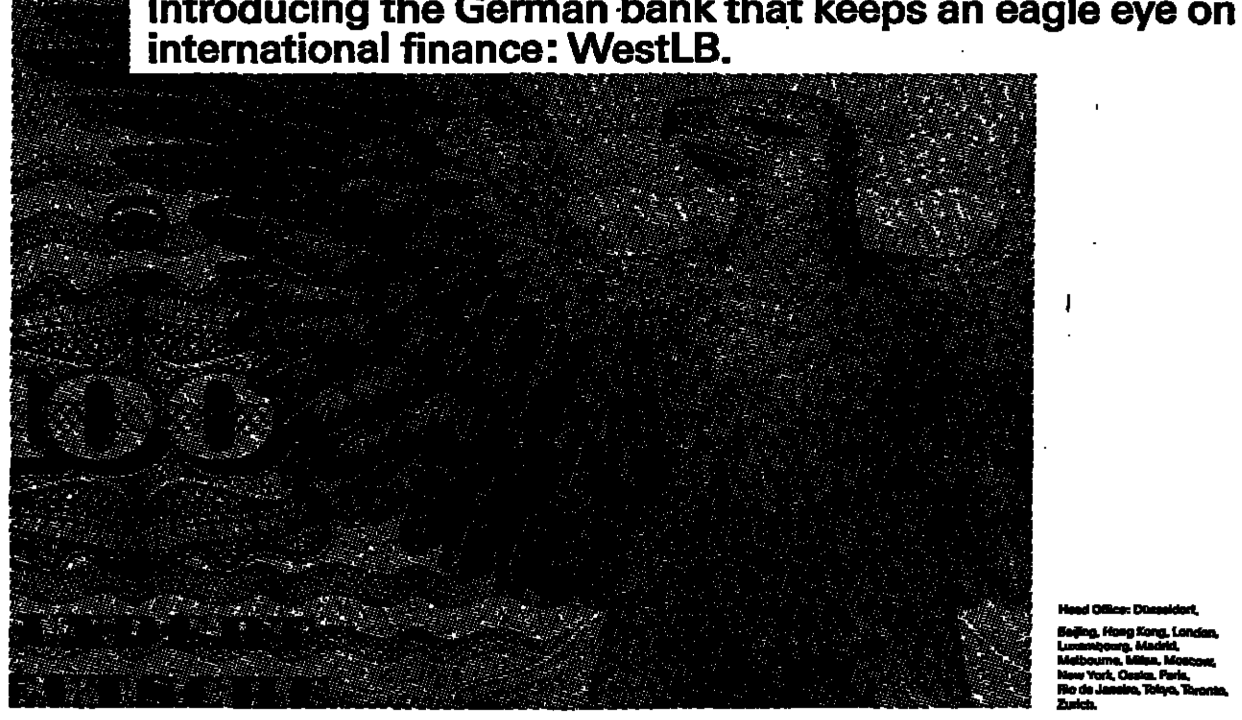

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INTERNATIONAL CAPITAL MARKETS

World Bank Y30bn deal meets strong demand

By Andrew Freeman

DESPITE BUSY new issue activity yesterday, the Eurobond market lacked real direction and most deals were aimed at specific or retail demand. The preliminary launch into formal pricing by Salomon Brothers of an expected $1.41bn global credit card-backed issue overshadowed other activity.

Nevertheless, there was widespread comment among syndicate managers that a series of generously priced deals had been launched.

The World Bank brought a Y30bn seven-year deal via LTCB International with a 6⅞ per cent coupon. The paper was attractively priced to yield around 20 basis points over an outstanding six-year issue and met good demand at less 1⅞ bid, a discount comfortably inside full fees.

Traders said demand for the bonds appeared to have been largely pre-identified, but there was quickly plenty of paper changing hands.

The issue proceeds are thought to have been swapped into D-Marks via floating-rate US dollars.

IBJ International was the lead manager of a $200m issue for the Export Import Bank of Japan.

The 10-year bonds carried a 9½ per cent coupon and were priced at 101⅛ to yield 60 basis points over Treasuries.

IBJ reported early demand from the Far East, with good European demand emerging later.

It was quoting the paper at less 1.80 bid, inside 2 per cent full fees and implying a tighter spread at around 57 basis points.

INTERNATIONAL BONDS

Two fungible deals were issued.

Nikko Securities brought an Ecu125m seven-year tranche for the European Investment Bank, fungible with an existing Ecu1bn deal.

The bonds were aimed at specific demand in Japan in order to increase the global liquidity of the outstanding paper.

A FFr500m issue for Interfinance Credit National was launched late in the day by Credit Commercial de France to offer an attractive 27 basis point pick-up over an outstanding FFr500m three-year 10¼ per cent deal.

CCF was quoting the paper on fees at less 1⅞ bid amid steady domestic demand.

Bankers Trust unveiled a C$100m deal for General Electric Capital Corporation in what has been a quiet sector lately.

The two-year bonds were priced to yield around 40 basis points over Canadian Treasuries and were trading just inside fees at less 1.08 bid.

Proceeds were swapped into floating-rate US dollars.

Elsewhere, Hambros Bank's A$75m four-year deal for Ford Credit Australia was generously priced to attract switching business and traded inside fees at less 1⅛ bid.

In Switzerland, SBC launched a SFr150m 15-year deal for Oesterreichische Kontrollbank to a fine reception.

The bonds, which carried a 7⅛ per cent coupon, were quoted by SBC at less 2⅛ bid, well inside full fees.

There was good demand for the long maturity.

Banco di Roma was the bookrunner of a L 150bn four-year issue for Commerzbank Overseas Finance, the first non-tax-exempt bank borrower this year.

The deal had a steady reception on the back of the weekend cut to 12½ per cent in Italy's discount rate, trading inside fees at around less 1⅛ bid.

Proceeds were thought to have been swapped into D-Marks at an attractive rate last week.

There was some comment from syndicate members that their allocations were frustratingly small.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
World Bank(a)◆	30bn	6⅞	101⅛	1997	1⅞/1⅛	LTCB Int.
LIRE						
Commerzbank Overseas Fin(a)◆	150bn	12⅛	101.40	1994	1⅝/1⅛	Banco di Roma
US DOLLARS						
Ex-Im Bank of Japan(a)◆	200	9½	101⅛	2000	2/1¼	IBJ Int.
Fiat Finance & Trade(b)◆	30	15	101.30	1991	1/⅛	Chase Investment Bank
CANADIAN DOLLARS						
General Elec.Cap.Corp.(a)◆	100	13	101½	1992	1¼/⅜	Bankers Trust Int.
AUSTRALIAN DOLLARS						
Ford Credit Australia(a)◆	75	15¼	102	1994	1⅝/1⅛	Hambros Bank
ECUs						
EIB(c)◆	125	10	98⅝	1997	30/20bp	Nikko Secs. (Europe)
STERLING						
Ford Capital(d)◆	150	13⅞	100	1997	1⅞/1¼	J.P.Morgan Secs.
FRENCH FRANCS						
Interfinance Cr.National(e)◆	500	10¼	101⅞	1993	1⅞/⅞	CCF
SWISS FRANCS						
Oest. Kontrollbank(f)◆	150	7⅛	101	2005	2⅛	SBC
SWEDISH KRONOR						
Swedish Export Credit(a)◆	300	13⅝	101.20	1993	1⅜/1⅛	Skand. Enskilda Banken

◆Final terms. a) Non-callable. b) Dual-currency bond. Borrower option to redeem in Lire at fixed rate of L1,213. c) Fungible with existing Ecu1bn bond from August 15. Non-callable. d) Fixed re-offer price. e) Fungible with existing FFr500m bond. Non-callable. Issue price plus accrued interest. f) Call after 10 years at 101½ declining ½% p.a.

Stock exchanges fail to bury the hatchet

Richard Waters finds disagreements on the road to European-wide share trading

The day when shares are traded across borders with as much ease as instruments like Eurobonds is a far away as ever. Last week's meeting of European stock exchanges in Copenhagen, at which competing exchanges discussed ways of burying their disagreements, achieved about as little as the most pessimistic observers had predicted.

Of three topics before it, the meeting made headway on one, virtually ignored the second and almost failed to agree on the third.

Agreement was reached for a so-called European list to be developed by the end of 1991. This idea, proposed by the French, involves listing Europe's leading companies on all stock exchanges within the EC, allowing investors to deal in foreign companies' shares through their own national stock exchange.

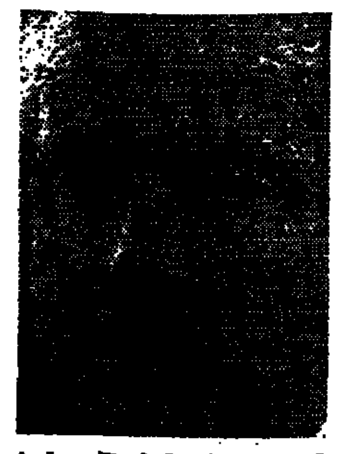
The French had wanted to restrict the list to 300 companies, selected in part by the size of their home country's gross national product. These restrictions have now been dropped: the list is to be open-ended, and GNP will play no part in the selection of companies on the list.

Supporters claim the list will provide the foundation for a European share market, and serve retail investors well.

"Private investors, who are used to a home market, need facilities at home," said Mr Rüdiger von Rosen, executive vice chairman of the German Federation of Exchanges. Such investors should not be ignored, he warns: "They make this business profitable," paying a large proportion of the commissions which are the lifeblood of stockbrokers.

Others at the meeting were less enthusiastic. Mr Andrew Hugh Smith, chairman of London's International Stock Exchange, said that European share markets would remain as fragmented as ever, and be as unattractive to large investors – especially those from the US and Japan. London believes investors want a wholesale market spanning the continent, not a retail one. This is the second issue put to the Copenhagen meeting, and the one to which virtually no consideration was given.

Mr Hugh Smith proposed a European wholesale market



Andrew Hugh Smith: proposed European wholesale market

(EWM) bearing strong similarities to the ISE's Stock Exchange Automated Quotations (Seaq) International, an electronic system for trading international shares. Seaq is the leading market for cross-border share deals, and provides a model that the ISE would like to see adopted by all European exchanges.

Its EWM proposal amounts to an offer to other exchanges of joint ownership of Seaq, under a different name. London, as the centre for equity trading in Europe, would retain the whip hand, at least in the short term.

Other exchanges, unwilling formally to cede authority over cross-border share dealing to London, baulk at the proposal. The ISE's answer: a market like an EWM is the only option if the exchanges are to retain equity business rather than see it seep off-market to others like Reuters.

In Copenhagen, the EWM went virtually undiscussed. However, the exchanges agreed to research the idea further.

Should no co-operative wholesale market emerge, full-blooded competition would follow. Mr von Rosen, for instance, recently warned that the German Ibis share price system could be marketed in London. Seaq, on the other hand, could be extended to overseas market makers, including those with no base in London – something the ISE has stopped short of through concern about its ability to supervise and discipline an off-shore member.

It may not take a collapse of talks about an EWM to bring about such competition. The ISE, wary of losing its competitive advantage, has already made it clear that it will continue to develop Seaq. Obtaining a handful of overseas members could tip negotiations over the EWM in its favour.

The third topic on the Copenhagen agenda was meant to be the showpiece of the meeting, but nearly led to a public falling out. This was the signing of a joint venture agreement on the Pipe, a proposed information network that would provide the infrastructure for a European share market. Such a signing was intended to be a formality, but was almost shelved after complaints from London that the business case for the system had not been made.

The chances of the Pipe collapsing even at this stage still seem to be high – although, when asked about the likelihood of success, Mr Hugh Smith said: "I think it's odds on that it will happen." After two days of co-operation like these, the exchanges will welcome the breather before the next summit in Dublin in November.

Bunds suffer from tepid reception to federal new issue

By Deborah Hargreaves in London and Janet Bush in New York

CASH prices for West German bonds suffered from the market's tepid reception to Friday's new federal bond issue yesterday while futures traders were more sanguine.

The new federal bond which pays a coupon of 8¾ per cent

GOVERNMENT BONDS

was quoted lower than its issue price yesterday offering a yield of 8.77 per cent. The real yield on the new bond at launch was 8.61 per cent.

The June futures contract on the London International Financial Futures Exchange (Liffe) fell to 82.59 from Friday's close of 82.81.

Bund buyers are not interested in the Government's DM6bn issue of 10-year bonds because of the high issue price – the bond was launched at a price of 101. Although the high coupon compensates to some extent for the higher-than-usual issue price, investors are balking at paying more up front for the benefits of a higher running yield.

In addition, the bond is not yet deliverable against Liffe's bund futures contract since it will not be listed on the Frankfurt Stock Exchange until next week. Liffe issues its list of deliverable securities against the June futures contract on Wednesday and the new issue will not be eligible for delivery until September.

■ The current illiquidity of the UK gilts market was underlined yesterday as prices wavered on very little buying. The market was squeezed on technical trading and analysts cited little real demand.

Some investors have been caught out by gilts' recent strong performance and those that own stock are hanging on to it. With so little paper in the market, even a hint of buying interest is enough to push prices strongly upwards.

UK gilts were almost a point stronger at the opening of the market yesterday, but slipped ahead of the release of UK banking figures which showed no clear direction for the market. A benchmark 11¾ per cent bond due in 2003/07 rose to 101¼ yesterday – offering a yield of 11.57 per cent – from Friday's close of 100¾.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	10.000	4/93	94-09	+21/32	12.40	13.27	12.50
	10.500	5/99	92-07	+19/32	11.98	12.50	12.77
	9.000	10/08	84-18	+18/32	11.26	11.28	11.68
US TREASURY *	8.875	05/00	100-30	+04/32	8.73	8.66	8.86
	8.500	02/20	100-21	+08/32	8.69	8.57	8.86
JAPAN No 119	4.800	6/99	87.0551	-0.335	7.15	7.02	7.51
No 2	6.700	3/07	93.8685	+0.071	6.80	6.95	7.14
GERMANY	7.750	02/00	93.3000	-0.730	8.78	8.38	8.73
FRANCE BTAN	9.000	02/95	96.3340	-0.070	9.96	9.95	10.09
OAT	8.500	03/00	92.9400	-0.420	9.63	9.49	9.66
CANADA *	9.750	05/00	90.2500	0.000	10.82	10.97	11.71
NETHERLANDS	7.750	01/00	92.1100	-0.080	8.98	8.81	8.94
AUSTRALIA	12.000	7/99	91.6366	+0.147	13.57	13.51	13.65

London closing. *denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

■ US Treasury bonds moved marginally higher yesterday, stabilising after four consecutive days of losses on disappointment that the US Federal Reserve appears to be keeping monetary policy on hold.

In late trading, the benchmark long bond was quoted ⅛ point higher for a yield of 8.68 per cent. Trading was quiet.

The Fed's announcement of matched sales last Friday put to rest any hopes of an easing in monetary policy.

The minutes of the Federal Open Market Committee meeting of March 27, released last Friday, showed the same balance of opinion as the meeting in early February. Two members dissented from the consensus for an unchanged policy because they favoured tightening.

The Fed did not intervene in the money market at its usual intervention time, consistent with an unchanged Federal funds target of 8¼ per cent.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday May 21 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri May 18 Index No.	Thu May 17 Index No.	Wed May 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	867.52	+0.8	13.38	5.22	9.05	15.78	860.37	861.18	840.13	988.41
2	Building Materials (27)	1078.44	+1.1	14.64	5.51	8.44	21.22	1066.99	1069.52	1035.32	1266.61
3	Contracting, Construction (36)	1349.29	-0.1	17.96	6.08	7.27	33.20	1350.19	1349.58	1312.97	1738.52
4	Electricals (10)	2456.10	+0.6	11.58	5.46	10.62	61.43	2441.56	2431.94	2400.07	2873.76
5	Electronics (29)	1874.64	+0.2	9.69	3.96	13.36	19.33	1870.23	1891.05	1821.83	2259.97
6	Engineering-Aerospace (8)	462.70	+2.7	14.07	5.03	8.48	9.31	450.39	452.68	446.11	0.00
7	Engineering-General (43)	467.16	+0.5	12.20	5.36	9.90	8.17	464.67	462.78	455.98	0.00
8	Metals and Metal Forming (6)	481.86	+0.4	24.38	6.47	4.62	0.53	480.03	486.67	482.51	555.60
9	Motors (16)	341.13	+0.4	16.16	6.60	7.22	9.56	339.63	338.78	330.87	325.73
10	Other Industrial Materials (24)	1588.52	+1.3	11.16	5.02	10.35	33.09	1568.75	1556.98	1523.42	1638.95
21	CONSUMER GROUP (178)	1256.89	+1.1	9.59	3.97	12.93	12.56	1243.70	1247.68	1213.30	1231.98
22	Brewers and Distillers (21)	1484.07	+0.7	10.09	3.86	12.01	12.62	1473.10	1474.71	1433.91	1319.54
25	Food Manufacturing (20)	1078.47	+0.3	10.38	4.37	11.94	16.98	1075.05	1075.66	1052.92	1082.38
26	Food Retailing (16)	2391.96	+1.2	9.48	3.39	13.54	22.97	2364.54	2356.77	2283.63	2241.87
27	Health and Household (14)	2597.71	+1.9	6.65	2.68	17.90	20.36	2549.82	2553.62	2493.07	2311.08
29	Leisure (32)	1403.42	+0.6	10.28	4.25	11.86	18.28	1394.80	1405.55	1365.04	1662.04
31	Packaging & Paper (12)	571.91	+0.1	12.84	5.93	9.96	11.83	571.46	572.25	562.32	575.13
32	Publishing & Printing (16)	3311.54	+0.1	10.12	5.42	12.46	50.81	3308.22	3319.67	3228.22	3599.80
34	Stores (35)	777.08	+1.5	11.51	4.86	11.20	2.25	765.22	776.47	746.43	822.99
35	Textiles (12)	480.31	+1.5	13.48	7.41	9.44	13.26	473.02	467.42	462.16	540.40
40	OTHER GROUPS (105)	1139.35	+0.3	11.23	5.03	10.70	10.37	1135.78	1140.64	1112.44	1116.32
41	Agencies (17)	1577.28	-0.9	6.31	2.50	19.12	14.99	1590.86	1614.47	1557.71	1398.87
42	Chemicals (23)	1242.30	+1.1	11.43	5.32	10.23	28.52	1229.09	1232.98	1211.20	1280.06
43	Conglomerates (14)	1611.55	+0.1	10.46	6.14	11.48	14.41	1609.36	1606.32	1574.61	1601.84
44	Transport (13)	2212.38	—	10.81	4.45	11.77	26.91	2211.24	2198.41	2147.91	2466.18
46	Telephone Networks (2)	1146.37	+0.4	11.08	4.47	11.74	0.00	1141.36	1154.90	1103.12	1148.17
47	Water (10)	1936.07	+0.6	18.00	7.00	6.15	0.00	1924.66	1930.77	1894.50	0.00
48	Miscellaneous (26)	1725.21	+0.2	12.04	4.91	9.48	18.70	1721.88	1728.83	1715.50	1520.80
49	INDUSTRIAL GROUP (482)	1136.04	+0.8	11.03	4.61	11.04	13.32	1127.38	1130.75	1101.46	1158.87
51	Oil & Gas (18)	2263.27	-0.8	11.98	5.37	11.03	46.43	2282.10	2320.72	2271.77	2029.50
59	500 SHARE INDEX (500)	1230.45	+0.5	11.16	4.71	11.04	15.95	1223.79	1229.85	1198.84	1233.20
61	FINANCIAL GROUP (109)	783.27	+0.3	–	5.85	–	18.66	780.94	784.50	764.52	751.52
62	Banks (9)	834.50	+0.5	19.67	6.44	6.66	25.62	830.28	837.58	815.48	754.37
65	Insurance (Life) (7)	1344.20	+1.0	–	5.46	–	36.94	1331.04	1335.52	1293.50	1069.66
66	Insurance (Composite) (7)	667.89	+0.8	–	6.19	–	19.43	662.68	664.32	637.78	589.34
67	Insurance (Brokers) (7)	1054.62	-0.7	8.20	6.17	16.06	27.41	1061.97	1062.89	1049.61	1004.81
68	Merchant Banks (7)	432.50	-0.4	–	4.40	–	4.85	434.10	432.44	421.39	330.34
69	Property (47)	1070.57	-0.7	8.25	4.26	15.46	8.35	1078.26	1083.02	1070.33	1324.48
70	Other Financial (25)	304.55	+0.2	14.64	7.33	8.95	4.54	304.05	301.93	297.79	376.62
71	Investment Trusts (67)	1184.32	-0.1	–	3.27	–	10.73	1185.63	1187.03	1167.31	1165.05
91	Overseas Traders (5)	1332.71	+1.1	9.25	6.86	13.24	42.87	1318.57	1320.35	1288.85	1394.90
99	ALL-SHARE INDEX (681)	1122.64	+0.5	–	4.85	–	16.34	1117.16	1122.46	1094.43	1114.96

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 18	May 17	May 16	May 15	May 14	Year ago
FT-SE 100 SHARE INDEX‡	2282.1	+13.0	2282.1	2261.3	2269.1	2284.4	2221.1	2212.2	2214.5	2169.0

FIXED INTEREST

	PRICE INDICES	Mon May 21	Day's change %	Fri May 18	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.63	+0.49	115.06	–	4.71
2	5-15 years	121.45	+0.81	120.47	–	4.96
3	Over 15 years	125.30	+0.69	124.45	–	4.77
4	Irredeemables	142.73	+0.80	141.59	–	6.12
5	All stocks	121.62	+0.69	120.79	–	4.91
	Index-Linked					
6	Up to 5 years	144.85	+0.09	144.73	–	1.49
7	Over 5 years	138.40	+0.31	137.97	–	1.38
8	All stocks	138.77	+0.29	138.37	–	1.38
9	Debentures & Loans	97.85	+0.55	97.32	–	3.92
10	Preference	73.80	-0.31	74.03	–	2.52

	AVERAGE GROSS REDEMPTION YIELDS		Mon May 21	Fri May 18	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.20	11.14	9.64
2		15 years	10.80	10.92	9.27
3		25 years	10.69	10.82	9.07
4	Medium Coupons	5 years	12.14	12.37	10.85
5		15 years	11.31	11.40	9.74
6		25 years	10.91	10.97	9.27
7	High Coupons	5 years	12.27	12.49	10.95
8		15 years	11.59	11.68	9.95
9		25 years	11.19	11.23	9.44
10	Irredeemables	†	10.71	10.80	9.04
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.15	5.18	3.81
12	Inflation rate 5%	Over 5 yrs.	4.12	4.15	3.68
13	Inflation rate 10%	Up to 5 yrs.	4.06	4.08	3.03
14	Inflation rate 10%	Over 5 yrs.	3.94	3.96	3.51
15	Debs & Loans	5 years	14.80	14.67	11.76
16		15 years	13.48	13.43	11.43
17		25 years	13.08	13.18	11.11
18	Preference	†	12.54	12.50	10.15

‡Opening index 2263.6; 9 am 2277.4; 10 am 2269.7; 11 am 2263.8; Noon 2263.9; 1 pm 2268.0; 2 pm 2269.8; 3 pm 2269.7; 4 pm 2276.3; 4.10 pm 2279.7; (a) (b) 11.31am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	2	9
Corporations, Dominion and Foreign Bonds	9	0	15
Industrials	401	277	903
Financial and Properties	116	173	450
Oils	16	32	41
Plantations	2	0	8
Mines	46	29	89
Others	67	62	115
Totals	744	575	1,630

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renun. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	128	110	ABI Leisure 10p	122	+2	R4.7	3.3	5.1	8.8
–	F.P.	–	59	58	♦Cabin May Roberts Ir10p	58		L0.24%	2.7	3.8	10.1
150	F.P.	–	50	47	Castle Cairn Inv.	47		–	–	–	–
–	F.P.	–	14	11	Do. Warrants	12	-1	–	–	–	–
–	F.P.	–	4½	¼	Courtwell Group Wrnts.	4½		–	–	–	–
100	F.P.	–	97	91	Dartmoor Inv. Tst. 10p	97	+1	R3.8	–	13.4	–
50	F.P.	–	48	47	EFM Java Trust	47	-1	–	–	–	–
–	F.P.	–	21	18	Do. Warrants	21	+1	–	–	–	–
‡	F.P.	–	148	119	F & C Germany Inv. Tst.	125		–	–	–	–
–	F.P.	–	64	48	Do. Warrants	51	+1	–	–	–	–
–	F.P.	–	46	31	First Philippine Inv. Tst.	32		–	–	–	–
–	F.P.	–	22	10	Do. Warrants	14		–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

- First Dealings May 21
- Last Dealings June 1
- Last Declarations Aug 16
- For settlement Aug 28

For rate indications see end of London Share Service

Calls: AT Trust, Christies Intl., Colorol, FKI, Lynx Holdings, Mecca Leisure, Premier Oil, Pal & [illegible] Call: Regalian Props.

LONDON TRADED OPTIONS

TRADING IN the London Traded Options Market was quiet yesterday as the market reflected on *last week's sharp rally*.

Just over 30,000 contracts changed hands with the busiest trades recorded in Rolls-Royce, Hanson, and BP.

Total turnover was 30,061 contracts of which 19,328 were calls, and 10,733 puts. The FT-SE trades amounted to 5,904 comprising 2,793 calls and 3,111 puts. The busiest series was the June 2400, active at 588.

Rolls-Royce was the busiest option as 4,225 contracts were traded of which 3,475 were calls, and 1,107 puts.

The interest in Rolls-Royce centred on expectations that the company would soon get clearance to start trading in *American depositary receipts* (ADRs).

Hoare Govett, the company's broker was reported to have been an early buyer of the June 220 calls at 3.5p and 4p. The busiest series however was the June 200 calls. James Capel did a large part of the selling of the June 200 calls at 14.5p.

Hanson followed as the second busiest option. A total of 2,007 contracts were traded of which 1,786 were calls and 221 puts. The May 240 calls at 200 was the busiest series. Two-way activity was how traders characterised the day's business in Hanson with most of the trade done by BZW and James Capel.

Another active option was BP which traded 1,512 contracts, 1,302 calls, and 210 puts. The July 330 calls at 600 was the busiest series.

Dealers expect the next few days to be busy with the expiry of the May account and the publication of the trade figures on Wednesday.

In the futures, there was heavy buying of the June FT-SE contract early on in the day before trading settled into one trader called an "uneventful afternoon." The futures market closed at a premium of 29.

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Allied Lyons (*474)	460	23	42	55	17	21	27
	500	7	22	–	43	48	–
	550	3	9	–	93	93	–
ASDA (*109)	100	15	18	22	3	6	7
	110	7	12	16	6½	8½	10
	120	3½	8	–	13	15	–
Brit. Airways (*213)	200	15	23	29	5	8	10
	220	5	13	19	17	19	20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
Unilever (*673)	650	45	78½	90½	8½	15	18¼
	700	16¼	40¼	60¼	33	38	41
Ultramar (*332)	330	29	32	45	11	16	20
	360	7	18	28	32	32	35

Option		CALLS May	Aug	Nov	PUTS May	Aug	Nov
Brit Aero	500	25	52	60	1½	16	25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
Amstrad (*69)	60	10½	14½	16½	1	3½	4
	70	4	9	11	4½	8	9
Barclays (*545)	500	55	65	82	3	11	15
	550	14	32	51	17	30	32
Blue Circle (*225)	220	12	20	28	5	9	12
	240	3½	9	16	17	18	21
British Gas (*217)	200	20	23	28	1	5	7½
	220	6	9½	16	7	14	17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Nearly £5m in red after TPS losses and reorganisation costs

Tern pulls out of estate agencies

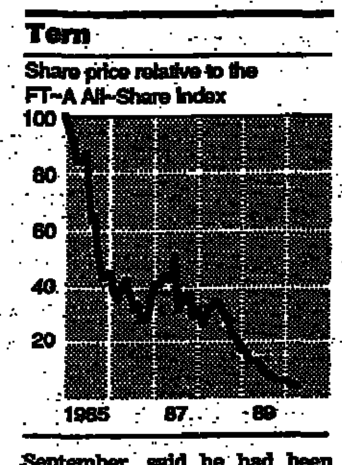
By Andrew Hill

TERN'S ill-fated foray into the *estate agency business*, which began with a series of acquisitions at the peak of the housing market two years ago, has finally come to an end.

The USM-quoted company is to sell its half-share in Tern Property Services (TPS) to Equity & Law Life Assurance Society, which owns the other half, and concentrate on its core construction and development side.

Losses of £3.78m at TPS, together with reorganisation costs, drove Tern £4.98m into the red before tax last year, compared with a profit of £872,000 in the 15 months to December 31 1988. A further £9.12m was lost below the line on the sale of the estate agency *business*.

Mr Peter Hickson, who became managing director last September, said he had been surprised by the extent of Tern's difficulties. Since he joined, Tern's head office staff has been reduced from 23 people to just six.



"Until you are actually *inside a problem* company you don't know what the problems are – certain aspects were much worse that I expected, but certain aspects were much better, such as the well-run construction business," said Mr Hickson yesterday.

Equity & Law, which bought 50 per cent of TPS last September and also owns 10 per cent of Tern itself, will pick up the balance of TPS's shares for £2.8m cash, and up to £4m related to the estate agency's performance in the next three years. Mr Hickson said he expected Tern to draw down about £1.5m of the deferred payments.

Tern is also hoping to put in place a new option scheme for certain directors and senior managers in the group, which will be linked to earnings targets over the next five years.

Tern's sales *last* year were almost static at £60.8m (£60.4m) and there were exceptional costs of £1.2m, mainly related to central reorganisation expenses. A loss of 9p per share compared with earnings of 1.4p in 1988 and there is no final dividend.

Mr Hickson said: "We certainly hope there are no more performance nasties to crawl out of the woodwork."

● Legal & General Group has bought Adam Kennedy, a London-based estate agent, for £5m. L&G will also subscribe £2m of preference shares. There is a maximum additional profit-related payment of £9.6m over the next three years. Adam Kennedy will be merged with Land & Co, another estate agent already under the L&G umbrella.

Tony Andrews

Jurek Piasecki: blamed high gearing on delayed property sales and excess stocks of diamond jewellery

Great Western profits spurt to $7.15m

By Steven Butler

GREAT WESTERN Resources, the US-based resources company listed in London, reported a sharp rise in net income from $1.2m to $7.15m (£4.22m), in the six months to the end of March.

The results were Great Western's first since the capital restructuring in December which eliminated non-voting class B shares and prompted a big rise in the company's share price.

Earnings per share came to 9 cents for the half year, compared with 2.6 cents last year for class A stock and 2.9 cents for class B stock.

The dividend was lifted from 2p to 2.5p gross (1.88p net to UK shareholders).

Turnover rose from $71.13m to $81.04m, while pre-tax profits leapt from $1.7m to $8.5m.

The improved results were underpinned by a rise in oil and gas production.

Gas production more than doubled from 10.3m cu ft a day to 21.5m cu ft a day, while production of condensate, a light hydrocarbon, rose from 267 barrels a day to 341 b/d. Prices were also higher, rising from $1.93 per thousand cu ft to $2.13 per thousand cu ft.

The results were also lifted by settlement of a take-or-pay dispute in a gas sales purchase contract which led to receipt of $6.8m over a 12 month period. The full amount was booked in the half year to the end of March.

Current gas production has reached 22 million cu ft a day. Drilling is expected to continue at a brisk level in order to continue adding to gas reserves.

The coal division benefited from a 5 per cent increase in coal sales and higher prices. Coal output rose from 8,076 tons a day to 8,492 tons a day.

Reserves of low-sulphur coal were increased, which were expected to become more valuable as clean air legislation encourages use of low-sulphur fuels.

December's capital restructuring resolved a long-standing difficulty for shareholders. The Kuwait Investment Office, which held 56 per cent of the company's non-voting shares, or 70 per cent of total capital, now holds a little less than 30 per cent of voting shares. Mr Dan Pena, chairman, saw his holding reduced from 44.4 per cent to 15 per cent.

New management cuts losses at Wharfedale

By Jane Fuller

THE FIRST figures for Wharfedale since its management took over the nearly bankrupt Audio Fidelity consumer electronics company showed a cut in the pre-tax loss from £2.34m to £320,000 for the six months to December 31.

Mr Keith Mellors, chairman of the USM-quoted company, said: "We have cleaned out the nonsense in the first half." Although the reverse takeover had not been completed until January, managers from the Wharfedale loudspeaker company had moved in last autumn on a consultancy basis, he said.

The £2.78m raised by a 5-for-3 rights issue in January had been absorbed by the reorganisation, and debt was still at £2.7m for gearing of 150 per cent.

An operating loss of £108,000 was made on turnover of £8.67m (£5.93m). Interest payments fell to £216,000 (£282,000).

The sale of Captain Billy's record company and two subsidiaries in the gifts business made up an extraordinary loss of nearly £500,000.

The retained parts are Fanfare, which Mr Ashley Ward, chief executive, said specialised in "consumer gizmos," notably the hand-held Translator, and Fane and McKenzie, makers of parts for rock-concert-sized loudspeakers.

Mr Mellors said Fanfare had turned in a £200,000 profit after losing more than £1m last year, while the latter pair had made losses of about £400,000 but were now trading profitably, as were all the divisions.

The main action had been to close Audio Fidelity's London head office and to reduce overheads and stock.

After a tax credit of £423,000, earnings per share were 0.7p, compared with losses of 29.1p. There is no interim dividend.

The figures excluded the Wharfedale loudspeaker business. After several years of losses, it returned to profit in the first half, making £154,000 pre-tax on sales of £3.56m (£2.75m).

The shares closed at 9p, against a rights issue price of 11p.

Goldsmiths tops £4m but shares slip on gearing worries

By Jane Fuller

GOLDSMITHS GROUP, the jewellery retailer, made a pre-tax profit of £4.06m in the year to March 3, in line with the figure anticipated when it joined the market in January.

Its share price, however, shed 20p to close at 116p, compared with 150p *in the offer for* sale, which saw 30 per cent of the £25m issue left with the underwriters.

Sentiment was dampened yesterday by the year-end gearing figure of 96 per cent. At the time of the flotation 72 per cent had been expected.

The profit compared with £2.27m for the previous 11-month period. Turnover at the group, which has 104 branches, rose by nearly £9m to £39.58m.

Mr Jurek Piasecki, chairman, said the high gearing was due to the delayed sale of one freehold and five leasehold shops, excess stocks of diamond jewellery and a reduced equity base.

He said the property sales should be concluded by September. The stock "imbalance" was being sorted out through returns to suppliers and redistribution between branches.

Net borrowings had been brought down from £20m to £10m at the year-end by the proceeds of the issue. Mr Piasecki said gearing should be down to about 75 per cent by next March.

Interest paid fell £103,000 to £1.95m.

During the year, nearly £3m was spent on acquisitions and modernising or moving shops. This year's figure was likely to be £1.6m with the main outgoing being the opening of two large stores in Essex and Sheffield. Two other smaller shop openings were also planned, Mr Piasecki said.

Sales were up by about 13 per cent so far this calendar year and the chairman believed the more affluent and older, mortgage-free customers would be relatively immune from the interest-rate squeeze.

Pro-forma earnings per share were 13.8p. A special final dividend of 1.4p is proposed.

● **COMMENT**

Goldsmiths' profit improvement follows the closure of 25 less profitable shops and the purchase of a smaller number of more promising ones since a management buy-out two years ago. The group is staying up-market of the larger Ratners chain and the jewellery market is doing better than much of the retail trade. Yet the picture is tarnished by the partly self-inflicted debt. Over-optimism about the Christmas demand for such delights as diamond rings is costing dear *in interest payments. While it* is plausible that Woopies (well-off older people) are immune from mortgage-induced pain, surely a portion of Goldsmiths' custom is feeling the pinch? Maybe this accounts for Mr Piasecki citing the poll tax as one reason for slower growth in April, when according to his thesis that tax should be a drop in the ocean to his clientele. While pre-tax profit may increase to £5m this year, a tax charge of 35 per cent will constrict earnings growth. A prospective p/e of less than eight seems undemanding, but uncertainties remain about performance.

NEWS DIGEST

Fags lifts stake in Chile mine

ANTOFAGASTA Holdings, the London-quoted group with a variety of industrial interests in Chile, proposes to pay up to $6m (£3.6m) for another one third interest in Cerro Negro, which operates a copper mine in central Chile, to take its interest to 66.6 per cent.

Shareholders' approval is required because the vendor company is owned by Mr Andronico Luksic, chairman of Antofagasta, and his family interests.

Antofagasta intends to pay $4m cash on completion and up to $2m more in cash following a valuation of Cerro's mineable reserves which should be completed in August. RTZ Consultores valued Cerro as at January 1 at $10.5m. In 1989 Cerro produced pre-tax profits of $5.1m (down from $6.59m in 1988) and on December 31 had net tangible assets of $9m.

Radio City out of tune with £458,000

A sharp decline in both local and national sales revenue in March and the fact that in the corresponding month of last year radio industry revenues were 30 per cent higher than in any previous month, left interim pre-tax profits of Radio City (Sound of Merseyside) lower at £458,000.

Radio City shares lost 17p to 283p.

The outcome, for the six months to March 31, compared with £623,000 last time. Turnover declined from £2.08m to £1.87m.

Directors said that national sales in all areas had been rather subdued and that resulted in a reduction, from £153,000 to £91,000, in the contribution from the Broadcasting Marketing Services associate.

After tax of £160,000 (£218,000) earnings per share emerged at 11.46p (15.58p). The interim dividend is increased from 3p to 3.5p.

Nykredit Mortgage Bank at £1.17m

Nykredit Mortgage Bank, formerly Business Mortgages Bank, reported a pre-tax profit of £1.17m for the eight months to the end of November, compared with £2.63m for the previous 12 months.

There was an exceptional provision this time of £800,000 against bad and doubtful debts taking the total provision to £2m or 3 per cent of the net loan portfolio. There was also an extraordinary charge of £350,000 to cover the costs of the unwelcome bid from National Home Loans and the refinancing of bank loans.

Total assets for this UK arm of Nykredit of Denmark at the end of the period were £57.93m, against £63.82m at March 31. The figures included mortgage loans of £55.44m (£60.71m).

Fairline makes further progress

Fairline Boats continued to make headway in the six months to March 31 with pre-tax profits rising from £1.82m to £2.01m – an increase of 10 per cent.

The outcome compared with a 20 per cent increase in sales to £16.97m.

Mr Sam Newington, chairman, pointed out that net profit margins were down because of higher costs relating to the introduction of new products and the commissioning of the new factory. Those costs would not recur in the second half.

Tax accounted for £676,000 (£604,000) leaving earnings per share at 38p (34.9p). The interim dividend is lifted from 6.5p to 7.15p – last year's total amounted to 18.5p.

Mercurius has 16% holding in Chloride

The steady stake-building by Mercurius, the Swedish investment company, in Chloride is continuing. The shareholder yesterday announced that its holding now stood at 38.2m shares, or 16.03 per cent, following the purchase of a further 250,000 shares.

The UK batteries group said there had still been no significant contact with Mercurius, although it had consistently offered to meet the Swedish group.

The holding has been built up through regular purchases since January, with Mercurius declining to comment on the situation.

Demerged Argos ahead 8.4% in first quarter

By Nikki Tait

ARGOS, the catalogue retailer which was demerged from BAT Industries last month, yesterday announced a trading profit of £4.9m in the 12 weeks to March 24, 8.4 per cent higher than in the same period a year earlier.

Sales rose 16 per cent to £150m, but that partly reflected increased selling space. The like-for-like sales increase was 9.1 per cent.

The company only released first quarter figures because these were set to become apparent anyway. BAT, the *tobacco-based conglomerate*, is due to publish quarterly figures this week, which will incorporate combined results for Wiggins Teape Appleton, its paper operations, and Argos.

Meanwhile, WTA, also in the process of being demerged, recently published listing particulars, which spelt out its own figures for the first three months.

By combining these two bits of information, investors could have deduced the Argos results. Argos said it will not publish quarterly results in the future.

The retailer added that, since the end of first quarter, sales had remained buoyant, and that it expects to open 25-30 new stores this year. However, it stressed that the company was dependent on Christmas trading and that prospects generally would be affected by the economic climate over the next seven months.

Argos shares gained 5p at 209p.

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Manufacturers Hanover Limited
Agent Bank

BRITANNIA BUILDING SOCIETY

£100,000,000
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In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month Interest Period from (and including) 21st May, 1990 to (but excluding) 21st August, 1990, the Notes will carry a rate of interest of 15⅟₁₆ per cent. per annum.
The relevant Interest Payment Date will be 21st August, 1990. The Coupon Amount per £50,000 Note will be £1,903.01 payable against the surrender of Coupon No: 1.

Hambros Bank Limited
Agent Bank

NEMGIA to call for an orderly disposal of assets

By Patrick Cockburn

THE NATIONAL Employers Mutual General Insurance Association, which is refusing to pay A$200m (£91m) claims in Australia, is to ask creditors at a meeting on Friday to agree to an orderly disposal of assets.

The company, until recently one of the largest writers of employers' liability in the UK, was badly hit by workmen's compensation business written in the late 1970s and early 1980s which produced a level of claims which was higher than expected.

It is seeking to persuade creditors not to force the company into liquidation but to accept a scheme of arrangement under which it could sell its assets for more than fire sale prices.

Earlier this month Mr Stanley *Hallowell, managing director*, said the company would not meet claims on its Australian business. The company subsequently told its underwriting managers, Chancellor Insurance, to stop paying claims on its marine re-insurance business in London.

Mr Hallowell yesterday denied reports that a meeting with creditors last Friday had gone badly, saying "the meeting went very well".

National Employers sold its UK and Irish business, with £131m of premium income in 1989, to Assurances Generales de France, the second largest French insurance group, last December. Mr Hallowell said the company's most valuable remaining assets were subsidiary and associate companies in South Africa, Trinidad, Jamaica and Malaysia.

He added that if these assets were sold then the company, which he described as being short of liquid funds, would be able to pay creditors. The most important of these are Australian state governments which, under Australian policyholders' protection law, will take responsibility for the 7,000 outstanding insurance claims.

In arguing against the appointment of a *liquidator* the company said it needed to rearrange its own insurance protection under a so-called time-and-distance policy with Pinnacle, the Bermuda-based re-insurer which is owned by CE Heath, the UK broker.

Under the policy the payment of £9.6m by National Employers in 1991 would produce £40m from Pinnacle in 1999. The company told last Friday's meeting that a liquidator might be unable to make this arrangement.

Power spends $131m in US

By Paul Cheeseright, Property Correspondent

POWER Corporation, the acquisitive Dublin-based property group which took a London listing in 1987, is expanding its US portfolio by spending $130.75m (£77.3m) on the San Francisco Centre, a 670,000 sq ft shopping mall on nine floors.

This is Power's largest purchase in the US and marks a further step in the internationalisation of the company, only 5 per cent of whose properties are now in Ireland.

Two thirds of the cost is being financed by a non-recourse loan at a fixed interest rate of 10.75 per cent secured on the property and the remainder will be covered by Power's own cash resources.

Mr Robin Power, chairman, said yesterday that, given its normal technique of gearing it had the ability to buy £400m of property. This technique is to supply a quarter of the funds and raise non-recourse funds to cover the balance.

The company, Mr Power said, was cash-rich. Since flotation it has had three rights issues. Recently it has increased its bank facilities and has been engaged in a programme of sales of properties on the Island Site, adjacent to the Trocadero in London's West End.

Robin Power: ability to buy £400m of property

The seller of the San Francisco Centre is Mr Sheldon Gordon, a private US developer who specialises in shopping mall projects. The Centre was completed 18 months ago and is 90 per cent let.

Average shopping rents in central San Francisco are $150 per square foot, but at the Centre they are only $50, Mr Power said. This implies the expectation of growth.

Power is selling its interest in Two Rodeo Drive, a Los Angeles property and Mr Power said the company expected to receive $30m.

Power is in partnership with Mr Donald Trump, the aggressive US *developer* now almost as well-known for his marital problems as his eponymous projects, at the Ambassador Site in Los Angeles.

Mr Trump wants to extend this partnership to London and Mr Power said that he had assembled a list of sites in the west of London, concentrated on the Knightsbridge district, which might be suitable for a large mixed development of offices, retail and residential property.

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FT4/50

Squeeze on margins hits UK operations

Overseas activities help AB Foods rise to £284m

By Clay Harris, Consumer Industries Editor

ASSOCIATED British Foods, the milling and baking group whose brands include Ryvita and Allinson, increased pre-tax profits by nearly 20 per cent to £283.8m in the year to March 31 in spite of a squeeze on margins in its UK operations.

Operating profits from UK manufacturing businesses rose by only 3.4 per cent to £80.9m, less than half the rate of growth in sales. Mr Garry Weston, chairman, said yesterday this reflected the pressure applied by large retailers.

Stewarts and Crazy Prices, ABF's retail chains in Northern Ireland, were also squeezed in the second half by an aggressive store-opening programme by rival Gateway's Wellworth subsidiary.

The UK slowdown was more than offset, however, by a 23 per cent increase to £60.8m in profits from overseas subsidiaries and a 43 per cent jump in investment income to £131.5m.

Investment income from ABF's £1bn-plus cash balance as well as dividends from Berisford International, the diversified beet sugar processing group in which it owns a 23 per cent stake, accounted for 46 per cent of pre-tax profits.

Mr Weston reserved his position on Berisford, which is the subject of takeover speculation. He welcomed recent management changes – the resignations from the board of Mr Ephraim Margulies and Mr Howard Zuckerman and the appointment of Sir John Egan and Mr Brian Smith as non-executive directors.

"I'm very happy, but I'll be even happier when we can successfully interpret their half-year results," Mr Weston said. Berisford is due to report interim figures next month.

Mr Weston said he expected any bid for Berisford by Tate & Lyle, its cane sugar rival, to be referred to the Monopolies and Mergers Commission.

He did not, however, see why this should necessarily apply to an offer from Mr Larry Goodman, the Irish agribusinessman, unless there were questions about its financing arrangements.

ABF's bid for Berisford in 1987 was cleared to proceed without a Monopolies reference. Although it won acceptances from a majority of the target company's shares, ABF allowed its offer to lapse after the October crash.

In ABF's 1989-90 results, the advance in pre-tax profits from £237.1m in the previous year came on turnover ahead 11 per cent to £2.77bn (£2.5bn).

An extraordinary credit of £79.6m (£35.8m) reflected the £89.1m surplus on ABF's sale of its stake in Gateway to Isosceles, reduced by a provision for future withdrawal from certain unidentified non-core trading activities.

Mr Weston said this reflected an intention if the circumstances were right rather than any firm plan.

The Gateway disposal was largely responsible for an increase in the effective tax rate from 30.5 to 32 per cent.

Earnings per share rose by some 17 per cent to 41.9p (35.9p). A second interim dividend of 7.7p (6.5p) raises the total for the year to 11p (9.3p).

See Lex

Roast beef of Olde England stays put at Savoy

By Nikki Tait

MAD COWS topped the billing at yesterday's annual meeting of The Savoy Hotel, transforming the highly theatrical gatherings of recent years into a more modest, domestic drama.

Gone was the sniping between Savoy and Trusthouse Forte, its largest shareholder and would-be acquirer. A truce in the bitter eight-year battle was arranged last November, with THF gaining two seats on the Savoy board.

Yesterday, Mr Rocco Forte made his first formal appearance as a Savoy director, chatting amiably to Mrs Charles Price, wife of the former US ambassador to London and fellow member of the board, as a gentle hubbub of shareholders took their seats. The THF chief executive then rose only once, to second a motion reappointing one of the other directors.

But a couple of shareholders had new concerns. What consideration had the board given to mad cow disease, asked one investor. Sir Anthony Tuke, Savoy's chairman, struggled a little. "We'd be criticised if we took beef off the menu," he suggested. "You can come in and eat beef."

Mr Giles Shepard, Savoy's managing director, was better prepared. The company, he explained, had tackled the matter by sending a health and safety expert to suppliers to see how their cattle were fed. "That," said Mr Shepard, "is precisely how we dealt with eggs, cheese, listeria, salmonella, listeria . . ." His voice trailed away to a general audience chuckle.

But one shareholder was not satisfied. "If one guest gets that disease, you can write off Savoy Hotel – people are really frightened," he suggested. Sir Anthony had nothing to add.

By then, a slightly cautious note had been sounded about the current year's trading. Turnover, occupancy rates and profit margins were all ahead of last year, said Sir Anthony, but he warned that "this is an inflationary era and costs are a worrying feature."

Mr Shepard elaborated. On the rates front alone, the uniform business rate would mean a 25 per cent increase in the company's bill in each of the next five years. It had paid £1.4m in 1989; would hand over £2.2m in 1990; and expected to fork out £4.7m at the end of five years. Wages, too, had risen by 12 per cent last year, in excess of inflation.

And, with those sobering thoughts in mind, shareholders shuffled upstairs for their glass of Savoy champagne.

In respect of the chosen word

Raymond Snoddy on Carlton Communications' interim statement

MR MICHAEL Green, chairman of Carlton Communications, the television services company, used *that* word again yesterday. The one that got him and his share price into trouble.

"I am pleased to report respectable progress in the six months to March 31 1990," said Mr Green in the opening sentence of his statement accompanying interim results that showed pre-tax profits of £64.9m – an increase of 54 per cent.

The use of the word "respectable" was deliberate and contained more than a touch of both mischief and self-satisfaction.

At the end of March "respectable" was the word chosen by Mr Green to describe profits for the year so far. In the past the word he had generally used was "healthy."

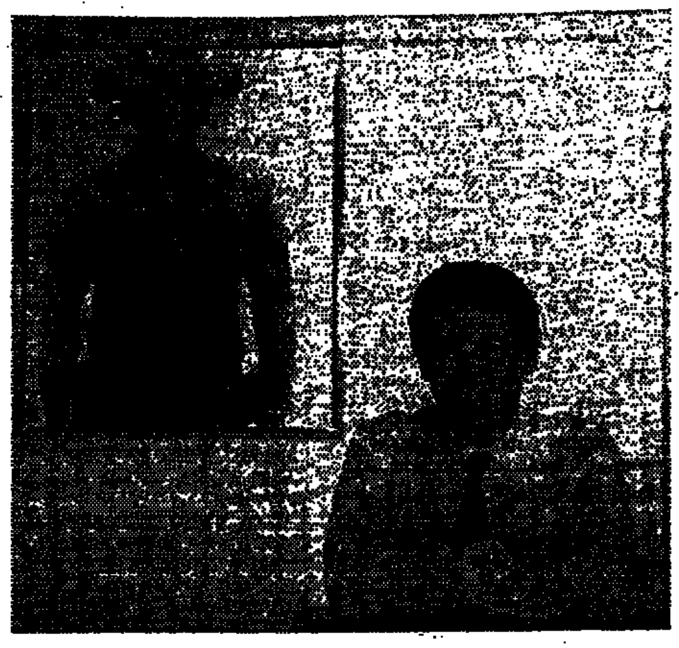
The difference between the two, combined with what was seen as a series of potentially negative influences on the company – concerns over the £163.5m sale price of Cosworth, the specialist car engine company which came with the acquisition of digital processing and engineering group UEI, the effects of a possible bid for the 56 per cent of Thames Television now on the market and concerns over margins in Carlton's video cassette duplication business – sent the shares into something approaching free fall.

Carlton, which has for some years been a favourite of the Stock Exchange, saw a third of its value wiped out in a couple of weeks.

The shares went from a high of 952p on September 13 to a low of 450p on April 24 with a precipice on the graph in the two weeks after the use of the word "respectable."

As the Carlton share price mimicked the behaviour of a company with a serious problem at its heart – a company heading for at least restructuring if not takeover – the headlines inevitably read: Video Star fades and High Flying Carlton Goes Into A Stall.

"I was surprised at the speed and severity of the fall," is all the 42-year-old Mr Green will say although he has clearly been given a keen lesson on the difference between the reactions of the institutional investors, who overwhelmingly stayed with the company despite obvious concern over the fall, and the market makers who resolutely marked down the shares, often on the basis of a relatively small number of shares being sold.



Michael Green: "respectable progress" in the first six months

On one of the worst days for the Carlton share price when 3m shares were traded, Carlton found that only a total of 700,000 out of the company's 184.38m shares in issue had actually changed hands.

Before yesterday's results, which saw turnover increase by 72 per cent to £405m although earnings per share at 22.02p were static largely because of the issuing of new shares, sentiment had already started to move modestly in Carlton's favour.

By the end of last week the shares had edged up to 546p and there were several favourable brokers' reports.

Jessica Reif, of First Boston in New York, described Carlton as a "strong buy" at the end of last month and said: "Carlton's share price may begin rising as most of the speculation hounding the company appears to be untrue."

The initial reaction to the midterm results yesterday, however, was to mark Carlton down 25p to 515p because the better-than-expected profits were accompanied by a note of caution.)

"The breakdown of Carlton's sales and pre-tax profits by division shows that while sales have increased substantially there has also been an overall reduction in pre-tax margins," Mr Green said.

This had been particularly true in television, video and sound products and Mr Green conceded an awareness of greater competition in some of Carlton's markets and that "the general economic climate may affect orders in the short term."

Mr Green was, however, adamant that nothing of substance was going to change in how Carlton was run or communicated with the City although the uncertainty did provoke the company into bringing the interims forward.

"All we are going to do is continue the same as we have been doing before and not be deviated from it," he said.

"We have stayed in the same business. We are following the industry our management know and understand," he added.

Carlton claims that a fall in margins in video cassette duplication at its Technicolor subsidiary have been more than offset by increases in volume. New duplication capacity will also prevent the farming out of work – something that happened last Christmas.

Carlton also says that its Abekas subsidiary took an unprecedented number of orders for a new digital vision mixer after its launch last month and new products have been launched by Quantel, the digital processing company that was Carlton's main reason for acquiring UEI.

Mr Green does concede a turning point may have been reached in the history of the company.

"You have a perception problem when you grow up after having been an entirely growth company. You are still a growth company but you are no longer a shooting star," Mr Green said.

One of the main uncertainties hanging over Carlton is the possibility of further acquisitions and the fear of further dilution through the issuing of new shares.

In recent weeks the company's name has been linked with not only Thames but also Mr Alan Bond's 28 per cent stake in British Satellite Broadcasting to be sold by the end of this month.

It is extremely unlikely that Mr Green will buy the BSB stake. He would only be interested if the price fell so low that the main BSB shareholders would almost certainly exercise their pre-emption rights to buy the stake themselves.

Mr Green is also known to be extremely cautious about Thames and is likely to pay no more than what he believes the company would be worth if it lost its ITV franchise in next year's competitive tenders.

The company is sticking to a flexible approach on bidding for or acquiring an ITV company but it is clear that with cash of about £60m and shareholders' funds of £400m it is highly unlikely that any future acquisitions will be paid for by issuing shares.

And in spite of growing competition in the television market and the effects of a downturn in advertising revenue the picture for Carlton still seems to be respectable if not exactly healthy.

Two further resignations from Regina Health board

By Andrew Hill

Regina Health & Beauty Products, the manufacturer and distributor of royal jelly – the bee food supposedly vested with rejuvenating powers – has been hit by two more boardroom resignations.

The group, which is seeking a rejuvenating injection of capital, lost Ms Irene Stein, its chairman and founder, in November just a month after she had loaned £550,000 to the company.

Her replacement, Mr Gerry Simler and another director, Ms Ann Kenny, resigned yesterday.

Mr David Tett, who stepped into Mr Simler's shoes as finance director, will become executive chairman.

Regina was hit last year by an increase in administrative and distribution costs which held back profits.

Hartley Baird joint venture

Hartley Baird, the electric motors and domestic appliances manufacturer, has signed a protocol joint venture agreement to make electric motors in the Soviet Union.

The partner is Electromashina, based in Charkov in the Ukraine. The deal was arranged through Defaz, Hartley Baird's associated company based in Izmir, Turkey.

Tace and Goring Kerr subsidiary up for sale

By Vanessa Houlder

SHARES IN Tace, a control equipment company, leapt 18 per cent to 161p yesterday when the company announced that it and its quoted subsidiary Goring Kerr, a metal detector manufacturer, were up for sale.

The move followed a decision by the Mackenzie family and other shareholders holding 46 per cent of Tace to sell their holdings.

The company said it would consider "unbundling" the company in an effort to get the best price. "Maximising value might be better achieved by us auctioning off subsidiaries and returning cash to the shareholders," said Mr John Mackenzie, a director.

He said that like other gamma stocks, the share price had suffered over the past year and did not reflect the value of the company. "They are attractive businesses. They do have a value higher than the market rates them at," he said.

Before yesterday's rises, the shares of Tace and Goring Kerr had fallen by 47 per cent and 42 per cent respectively over the past year. Yesterday, Goring Kerr shares rose 13 per cent to 218p.

In the year to September 30, pre-tax profits fell from £3m to £2.86m at Goring Kerr and from £2.62m to £2.17m at Tace.

Other than Goring Kerr, which is 52 per cent owned by Tace, its main subsidiary is Anderson Instruments, a US company concerned with the detection of noxious emissions.

Tace is being advised by Hambros Bank; Goring Kerr by Smith New Court.

Lep forms Czech offshoot

By Andrew Hill

LEP GROUP, the services company, has set up a freight forwarding subsidiary in Czechoslovakia, exactly a week after announcing its first move into East Germany.

The Czech expansion plans are less far-reaching than the East German agreement, which involved a joint venture with the state-owned transport operation.

Lep initially hopes to open two offices in Czechoslovakia, in Prague and in Brunn. The Prague office should be open by July 1.

They will be linked to the rest of the UK group's freight forwarding and distribution network, and will work closely with Lep's West German subsidiaries, Lassen and Wohlfarth.

The new subsidiary will be called Lep International CSFR.

Lep said yesterday it had no immediate plans to announce further moves into eastern Europe, although it already has sales delegations in other countries in the area.

US company enters battle for Crystalate

By Jane Fuller

Vishay Intertechnology, a US maker of electronic components, has said it will bid for Crystalate Holdings, a similar business in the UK which is the subject of a hostile bid from TT Group.

Vishay said yesterday it was still working on the bid terms.

Meanwhile Crystalate continued the fight against TT, the industrial holding group, by telling shareholders it would make a profit for the full year, after a first-half loss of £900,000.

This was announced after TT made its initial 7-for-10 all-paper offer, valuing Crystalate at £32.5m. Since then, TT has made its offer final, but introduced a partial cash alternative.

Lord Jenkin, chairman of Crystalate, said restructuring was well advanced and new orders at higher margins would help to restore profitability. Shareholders are promised an unchanged final dividend of 3.9p.

Lord Jenkin also raised questions about the performance of TT. He asked to what extent acquisitions, and accounting connected with acquisitions, had contributed to its profit.

Crystalate's shares gained 3p to close at 83p yesterday. This is above the partial cash offer but below the all-paper version, which values Crystalate's shares at 85.4p each on TT's closing price of 122p.

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Mecca seeks panel ruling on possible Rank bid intentions

By Nikki Tait

MECCA LEISURE, Britain's biggest "pure" leisure group following its takeover of Pleasurama in 1988, said yesterday that recent inquiries had established that Rank Organisation was not a shareholder in the company.

There has been a sharp price rise combined with relatively heavy trading in Mecca's shares recently and, last week, Rank failed to rule out the possibility of bidding for the company.

Rank said that it had kept Mecca's businesses under review and that "while the options available to Rank inevitably include making an offer for Mecca, no decision has been made on whether any action may result from the current review".

At that stage, it was unclear whether Rank might have picked up a small stake in Mecca. However, Mecca has since sent out further notices under section 212 of the Companies Act. Yesterday, Mr Michael Guthrie, Mecca's chairman, said that these had established that Rank was not a shareholder.

Mecca's advisers, Samuel Montagu, also confirmed that they had been in touch with the Takeover Panel to see whether the UK bid watchdog might impose a deadline by which Rank would have to decide whether it wished to mount a bid or not. The current uncertainty, the advisers suggested, was "very unsatisfactory" for Mecca.

The Panel confirmed that the matter had been raised, but the feeling seemed to be that these are early days. "We will gradually begin to monitor the situation," commented one spokesman.

Last year, Mr Asher Edelman, the US arbitrageur who was playing the Storehouse situation, was given a three-week period in which to decide whether he would bid for the retailer or face a situation where he would be barred from making an offer for a further 12 months. However, the ruling came after many months of harassment from Mr Edelman, and he had already made a conditional offer at that stage – although the conditions were never likely to be met. In the event, Mr Edelman did not bid.

Proteus heading for USM quote

By Vanessa Houlder

PROTEUS International, a designer of molecular modelling software for drug development, is joining the Unlisted Securities Market in a placing that values it at £18.05m.

Allied Provincial Securities is placing 5.37m shares at 84p each, representing 25 per cent of Proteus's enlarged capital.

The Cheshire-based company was set up three years ago. It has designed software that can be applied to the pharmaceutical, agro-chemical, biotechnology and polymer industries. It also creates potential drugs, the designs of which are sold to major pharmaceutical companies.

The company is due to make its first sales of Prometheus, the main software package, in the next few months. It has made an illustrative projection for the next 12 months of sales of £5.13m, research and administrative expenses of at least £2.4m and interest income of £300,000.

IN BRIEF

CELTIC GOLD: Loss before tax I£92,389 (I£59,696) for year to end-December 1989. Administration expenses I£52,284 (I£22,148) and exceptional debit I£10,225 (nil). Shares are traded on the Third Market.

ELGA GROUP has acquired Flowgen Instruments for £200,000, satisfied by 270,271 Elga shares at 74p each. Flowgen is engaged in the marketing and distribution of specialist products for use in the biotechnology and bioprocess industries.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Brit Foods ......fin	7.7	Sept 3	6.5	11	9.3
Carlton Comms ......int	5.506†	Aug 29	3.06	-☆	8.37
Fairline Boats ......int	7.15	July 25	6.5	-	18.5
Goldsmiths ......fin	1.4	Aug 31	-	-	-
Great Western ......int	2.5‡	June 25	2	-	5
McLeod Russel ......int	2.75	July 16	2.5	-	5.25
Personal Assets ......fin	1	Aug 17	1	1	1.25‡‡
Radio City § ......int	3.5	-	3	-	10

Dividends shown pence per share net except where otherwise stated. ‡Gross. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Final of 8.551p forecast. ‡‡Includes special payment of 0.25p.

McLeod Russel shows improvement to £4.6m

MCLEOD RUSSEL Holdings, with interests in surface coatings, textiles and property, increased pre-tax profits by almost 7 per cent to £4.55m in the six months to end-March.

This compared with £4.26m last time, which included a £1.7m contribution from the former Kenyan and Australian agricultural activities. Turnover was virtually unchanged at £18.58m, against £18.56m.

Mr Nigel Openshaw, chairman, said that in common with most of British industry, the surface coatings companies as a whole had done less well. However, Granyte Surface Coatings had increased profits against a poor market background, as a result of the benefits of reorganisation.

The textile division incurred a loss because of depressed trading conditions, but the property division profits were particularly strong in the first half due to the sale of Avonmouth Warehouse which realised a profit of about £2m. The profit from the division will be lower in the second half with no major disposals planned.

Current trading conditions, Mr Openshaw said, were still difficult but he believed they were maintaining their market share. Considerable cash resources in hand were benefitting from the current high level of interest rates. It was intended to invest these funds in UK based businesses when suitable opportunities arose.

With tax taking a lower percentage – 30 per cent against 38 per cent – earnings per share were up 21 per cent to 7.05p (5.82p). The interim dividend is raised from 2.5p to 2.75p.

The board said it was concious of the present volitility of the financial markets and of the fact that the share price of any company may be depressed for reasons entirely unconnected with itself or its performance. It had therefore decided to call an extraordinary meeting shortly to seek permission to purchase its own shares.

BTR pays £118m to expand US operation

By Andrew Bolger

BTR, the British conglomerate, said Schlegel Corporation, its New York-based wholly-owned subsidiary, had agreed to pay $200m (£118m) for United Technologies Corporation's Global Automotive Sealing Systems Group.

Schlegel makes hardware and sealing systems for home improvement and construction as well as automotive applications. Global supplies automotive body seals and sealing technology. The group employs 4,100 people at six sites in the US and Europe and last year had sales of $275m.

Mr John Cahill, BTR managing director, said: "This transaction underscores BTR's strategy to build the presence and expand the operations, both globally and in the US, of its subsidiaries such as Schlegel, which we purchased in January 1989."

In addition to the assets of the US sealing system operations in Iowa, Indiana and California, the acquisition includes the purchase of Mesnel in France and Permolca in Spain. Net assets are approximately $95m and the 1989 pre-tax profit was $20m.

Mr Bob Faircloth, BTR's executive director, said: "The acquisition enhances our product range and technology in the automotive weatherseal business. In particular, in Mesnel and Permolca we will have two well regarded and growing businesses whose glass-run technology, equipment and processes are very impressive.

"They will broaden our existing technologies and provide opportunities for good growth in sales and earnings."

This acquisition is the first made by BTR in the US since its bid for Norton, the US abrasives maker, was defeated last month by a $1.2bn counter-bid from Saint-Gobain, the French glass manufacturer.

BOARD MEETINGS

TODAY

Interims- Anglo Scandinavian Investment Trust, Bass, Ranks Hovis McDougall.

Finals- British Airways, Chesterfield Properties, Conrad Continental, Gates (Frank G), Monks Investment Trust, Plaxton International, Prowting, Readicut International.

FUTURE DATES

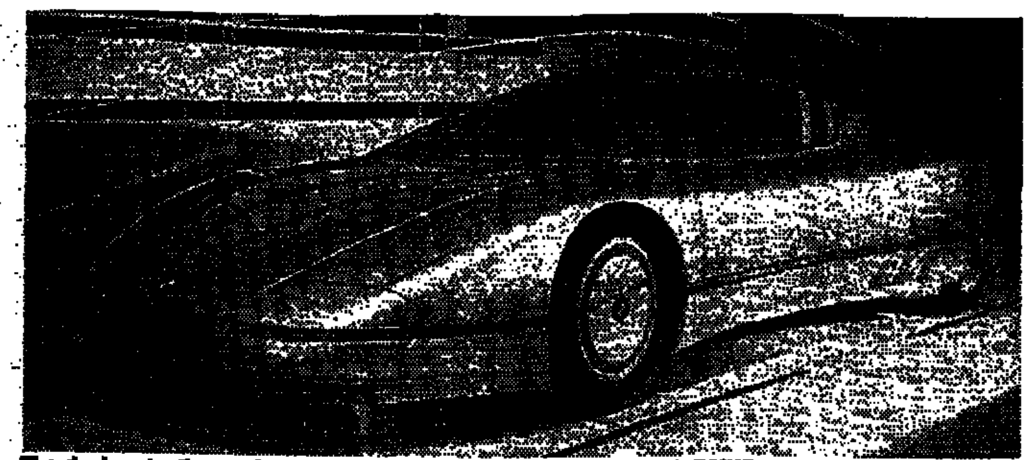
Finals-

Allied Colloids	June 5
Brown Shipley	May 31
Callyns	June 6
Channel Express	June 4
Cook (William)	June 4
Electrocomponents	June 6
Hartwell	May 30
Honda Motor	May 24
ML Holdings	June 19
Scapa	June 14
Siebe	May 30
Westbury	May 24
Yale & Valor	June 7

TECHNOLOGY

Fizz on the shop floor

John Griffiths sets foot in BMW's experimental unified research establishment


The design, testing and production process will be undertaken at BMW's centre at Munich

During the past month, the last arrivals of a work force of more than 4,500 engineers and support staff have been settling in front of their computers screens inside a vast and remarkable new building close to the heart of Munich.

In one of its dozens of nooks and crannies, design engineers are sketching out their preliminary ideas for the BMWs of the early 21st century.

In another, only a short walk from the designers, is a car assembly line, with a difference. It is itself a research project, but nevertheless capable of building more than 3,000 cars a year, about the same output as Ferrari.

In other parts of this extraordinary edifice – its main halls abutting more than a dozen hexagonal towers; the towers, *in turn*, linked by covered aerial walkways – is now proceeding almost every activity involved with the development of a car from first concept to final production.

By the mid-1990s every activity *will* be involved. More towers will have sprouted, and the manpower risen to around 6,000 to become one of the greatest single concentrations of vehicle engineering expertise in Europe.

Behind the building's design lie some guiding principles which, disarmingly simple though they might appear, are expected by BMW to play an important part in ensuring its long-term presence in the motor industry.

Within its walls, according to Dr Bernd Pischetsrieder, BMW's director of manufacturing engineering, lies not just the means to develop better, more sophisticated cars and the manufacturing methods to produce them but the ability to reduce by a full two years the development time of every future BMW model.

A fundamental principle is that no one member of the establishment has to walk more than 50 metres to talk *face-to-face with another*, no matter how seemingly disparate their projects or their disciplines. This rule was inspired in part by a Massachusetts Institute of Technology study on the communications behaviour of R&D engineers. It found that they developed 80 per cent of their ideas in immediate contact with their colleagues. The goal is to eliminate intermediaries and so make much more efficient the process of researching, developing and manufacturing cars.

This means, for example, that a designer with an idea for a novel type of engine bulkhead can stop work for a minute or two, wander down a few stairs, perhaps along a corridor, and find out directly and immediately from the robotics researchers that a robot capable of the contortions needed to install such a design a) has not been invented yet; and b) is never likely to be.

Such conversations,in enormous variety, are now going on in their hundreds every day within *what everyone calls the* FIZ. *It* is the acronym for Forschungs und Ingenieurzentrum; in English, Research and Development Centre. It is a short term for a long project.

The FIZ has been completed to its present stage over nearly four years – but to very little fanfare. Even its formal opening, a few weeks ago, has been allowed to pass virtually unnoticed.

Yet it is a project on which BMW has so far spent Dm1.2bn (£430m) and which, says Dr Wolfgang Reitzle, director of research and development, is unique.

He says it represents an unprecedented mingling of manufacturing and product development, including even patents, personnel and the buying of components. In the mid-1990s phase, another 1,500 engineers will arrive to expand the vehicle and production planning departments.

One key role for the centre is the creation of vehicle prototypes as quickly as possible. *Contrary to some beliefs, as* powerful as computer design and engineering systems have become, they cannot completely "model" a vehicle and how it will behave. "Computers can handle the geometry, but not the physics," points out Dr Pischetsrieder. "You still need physical prototypes. These take even the Japanese one year; it is *the* area where you lose or gain time."

Crucially for this extreme example of simultaneous engineering, manufacturing methods are developed in parallel with the prototypes; always the myriad queries en route being discussed or settled at the end of a *few* yards' walk, despite the nearly 1.2m sq ft of the complex. Pre-FIZ, BMW's R&D employees were spread over 10 sites in and around Munich.

Quite what the financial savings on a new model's and its production facility's development will turn out to be "is impossible to know at this stage," says Dr Pischetsrieder. "We know it will save two years over the entire process.

"But more important even than that is that the end result is much better – in terms of the design and quality of the car itself and the efficiency and flexibility of the production process."

Recycling the product

A PILOT PLANT to research the best ways of completely recycling cars is currently being brought on stream at Landshut, north of Munich, by BMW and partners involved in the chemicals and other materials processing industries.

The facility will be used to disassemble and process a total of 1,500 cars over the next 12 months.

It will evaluate the various materials making up the cars, in particular plastics, and alternative methods of recycling them into reusable materials or energy. Even recycling of materials used in the manufacturing process is under close investigation with, for example, the solvents used in BMW's main paint plant being collected in gaseous form and used as a fuel for heating.

High temperature burning of used thermoset plastics, which cannot be melted down for re-use, is being evaluated as an energy source. How to deal with recyclable thermoplastics which may, during the vehicle's life become "polluted" with engine oil, brake fluid or other contaminants, also forms part of the programme.

One of the most important aims is to apply knowledge learned from the disassembly process to the design of future cars, so that they can be specifically developed to be much more easily recycled than is the case with current cars.

BMW says that following the pilot phase it expects to set up a permanent recycling plant, capable of processing 250,000 cars a year. BMW's hope is that such plants will be come a norm for the motor industry.

Mr Eberhard von Kuenheim, BMW's chairman, has already called for co-operation among the world's vehicle makers to ensure that the most effective forms of recycling are developed. He is planning talks with other European car makers with the aim of exchanging know-how.

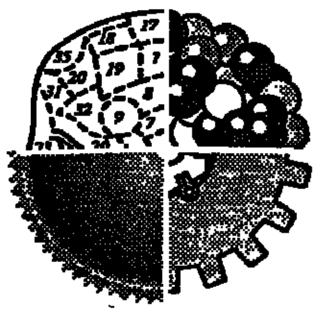
West Germany's other main vehicle makers, Volkswagen and Mercedes, have their own research programmes. In December, VW opened a £2m recycling technology research facility in northern Germany. Mercedes work on recycling already stretches across a broad front, embracing such items as catalytic converters, tyres and even cables.

While the identities of BMW's partners in the Landshut venture are not currently being disclosed, BMW is known to be already co-operating with General Electric of the US, a major plastics developer, in researching the use of plastics suitable for recycling.

BMW says that it would take two years to bring a 250,000 cars-a-year plant on stream from the time of deciding to go ahead. It is thus likely that a plant will be in operation by the end of 1992. The site is expected to be at Wackersdorf, also near Munich, although no final decision has been made.

The eventual objective is to be able to recycle virtually 100 per cent of every car built. However, achieving this will be a long process, according to Dr Bernd Pischetsrieder, director of manufacturing engineering. He said that development of the first car to be designed for complete recycling would begin in 1996, with production not starting until after the turn of the century. "So assuming a 10-15 year product, the full benefits of recycling will come through starting around 2020," said Dr Pischetsrieder.

John Griffiths



WORTH WATCHING

by Della Bradshaw

Two in one heat and power

HOW do you get your domestic electricity free of charge? A Swedish company, Tem of Lund, claims to have solved the problem by adapting a 19th century technology for use in the 21st.

The company has designed a derivative of the Stirling engine – which used to power boats and other machines – to produce domestic heat and power instead of today's oil or gas powered boilers.

Stirling Engine, the UK company responsible for manufacturing and selling the boiler, believes it can produce both heat and power by consuming only the same amount of fuel used as today's heat-only boilers, so cutting back on fuel bills. The boiler costs about £1,600.

With the Stirling engine the gas or oil is burnt outside the cylinders and the heat passes through a thin metal heat exchanger into a chamber containing helium.

In one ear, round to the other

A HEARING aid system, which can be fitted unobtrusively into a partially deaf person's spectacles frame should appease those who find traditional hearing aids too unsightly to wear. Developed by the West German electronics company Siemens, the device uses the good ear to compensate for the problems of the bad one by routing sounds along a wire fitted into a tunnel etched into the rim of the spectacles.

The system incorporates the hearing aid and battery in the paddle attached to the end of the spectacles arm. A tiny module with a tube which passes into the ear is fitted on the arm.

With this technique for transferring the sounds – called contra routing of signals – the sound entering the bad ear is picked up by the hearing aid and the channelled to the good ear, through the frame of the glasses.

Siemens claims the big breakthrough is that the system can be fitted to any pair of spectacles. However the company does admit one drawback: take off your glasses and you lose part of your hearing as well.

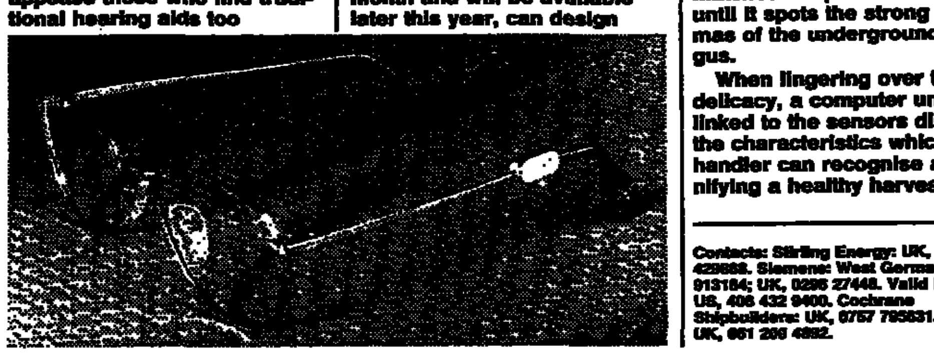
Board games for the future

AS complicated electronic widgetry finds its way into more and more products – from motor cars to washing machines – the computer systems to design the boards and chips have to match the sophistication of the components.

Valid Logic Systems, of San Jose, has developed a computer aided design computer system which enables companies to design widgets known as multi-chip modules – a cluster of up to 100 minute electronic chips on one silver of board.

The company has brought together its expertise in chip design – developing one component at a time – and the design of boards, on to which the components fit.

The software, which will be officially announced next month and will be available later this year, can design the modules with as little as 25 microns – 25 millionths of a metre – between each component. The software will run on workstations from Digital Equipment, IBM or Sun, and can be used to design modules based on the new ceramic substrates.



Dancing to the Blue Danube

IT IS not easy to design and build a ship with all the characteristics essential to the success of a limbo dancer, writes Robin Burton.

Yet this is what Cochrane Shipbuilders of Selby have done with their stretched cargo ship intended to enable companies to trade far up European inland waterways without the need to unload the cargo into small barges.

The 3000dwt ship has a collapsible superstructure and masts, a flat enough bottom to sit on the riverbed if necessary, and can turn in its own length, which will be very considerable if it is to satisfy capacity requirements. The first such ship will soon be in operation for Union Transport, of Bromley.

Dogs and pigs out of work

AN artificial nose which can sniff out that most edible of delicacies, the truffle, has been developed by a British university.

Umist, in Manchester, says its electronic sleuth does away with the problems of its porcine and canine rivals: pigs tend to gobble up the truffles while dogs get distracted by more "interesting" smells.

The hand-held device sniffs the truffles using a pump which pulls air in over a series of sensors – 20 different sensors have been crammed on to one tiny chip.

The machine chemically matches the pattern of smells until it spots the strong aromas of the underground fungus.

When lingering over the delicacy, a computer unit linked to the sensors displays the characteristics which the handler can recognise as signifying a healthy harvest.

Contacts: Stirling Energy: UK, 0225 423565. Siemens: West Germany, 913184; UK, 0293 27448. Valid Logic: US, 408 432 9400. Cochrane Shipbuilders: UK, 0757 705631. Umist: UK, 061 200 4882.

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FT LAW REPORTS

The greening of the law

By Andrew Waite

UNTIL recently environmental law was regarded very much as an academic subject which although of great interest to many people was not generally taken seriously by those who wished to practise law in commercial fields.

All that has now changed. Within the past year or two solicitors have begun to take a fresh look at the subject. Some firms, particularly, but not exclusively, in the City, have set up environmental law departments.

In 1986 in response to the changing climate, the UK Environmental Law Association was set up. Aimed originally at academics, it now has a membership of more than 600, the majority of whom are practising solicitors. The cutting edge of environmental law has moved from the universities to private practice.

There are three interlocking reasons for this sea change in the legal profession's perception of environmental law. First, public interest in and apprehension about the environment has at last been awakened, at least partly by media campaigns.

Second, the environment has been pushed from the bottom to the top of the political agenda, the watershed being Mrs Thatcher's now famous speech to the Royal Society in September 1988. This has brought a noticeable increase in the volume of environmental legislation in its wake, much of it emanating from the European Community.

Since the Single European Act, the EC has had express power to legislate in the environmental field. Pressure from Europe has forced the hand of many governments including the UK's.

Third, these twin pressures have led to a realisation on the part of industry that not only must it comply with existing law and be ready to meet higher standards in the future but that a sound environmental policy will be to its commercial advantage.

It is only within the past 15 to 20 years that environmental law has begun to develop a set of coherent underlying principles. However, the law is constantly changing and it is a considerable task for industry to keep abreast of developments.

In the past 18 months there have been important alterations to the law on waste management, air pollution and water. Further and more comprehensive changes have appeared in the recent Environmental Protection Bill – the so-called Green Bill which has just had its first reading in the House of Lords after completing its passage through the Commons.

It will introduce a new system of integrated pollution controls for those industries with the most environmentally damaging emissions. Technology-based controls will aim to control emissions not to a single medium (such as air) but to air, land and water.

The object is to achieve the Best Practicable Environmental Option for dealing with industrial by-products. Other industrial processes which pollute the atmosphere will require prior authorisation from the local authority.

The rules on waste management will be tightened. There will be a duty of care on waste producers to prevent any unlawful disposal of waste and to ensure that it is transferred only to someone authorised to handle it.

At present, a waste disposal licence can be surrendered to the waste disposal authority at any time thus enabling the disposer to avoid any onerous after-care conditions attaching to the licence.

Under the Green Bill proposals, this loophole will no longer be available. Licences will only be capable of being surrendered when the waste regulation authority is satisfied that the condition of the land is unlikely to cause pollution of the environment or harm to human health.

Other provisions in the Green Bill will extend local authorities' control over air pollution and regulate the release of genetically manipulated waste into the environment.

Pressure for yet more legislation comes from the EC, which continues to produce a constant flow of proposals for directives on environmental protection.

Just as it appears that we have almost achieved a workable set of rules to deal with the problems of pollution and the deterioration of wildlife habitats and other important natural areas, we begin to be aware of other global problems which the law has barely begun to grapple with.

Issues such as climate change and the depletion of the ozone layer will initially be matters for politicians and international lawyers at prestigious conferences such as the United Nations environment conference in Bergen, Norway, this week. Eventually, however, their deliberations must be translated into conventions which in turn must be implemented in national law.

Industry needs to understand its rights and duties under environmental legislation and thorough, competent and informed legal advice to guide it through the maze of existing controls and to help plan for the future.

Most conservationists now accept that advising industry on environmental law is not only acceptable but essential for the protection of the environment.

A healthy profit margin is not necessarily achieved at the expense of the environment. On the contrary, environmental protection is only likely to be accorded a high priority when the economy is strong enough to protect it – a fact of which those of us who have had dealings with environmental protection efforts in poorer Third World countries are painfully aware.

Lawyers have an important role as advocates and negotiators. Industrialists may find themselves before the courts either as defendants to civil or criminal proceedings or as plaintiffs seeking to restrain the polluting activities of others.

Negotiation with the enforcement agencies is also important. Environmental controls are often imposed on individual undertakings by means of notices served under general statutory powers.

The controls may be unacceptably onerous to the company. The option taken by some is to quietly ignore such impositions and hope that infringements will be undetected. Even if they are detected current levels of fines although increasing in severity are not generally prohibitive.

However, such complacency is no longer commercially viable in the light of the public's new-found interest in the environment. Nor is it justified from the legal point of view, as recent cases have shown that courts may impose injunctions to enforce environmental controls.

Generally there is a right of appeal against notices served by environmental enforcement bodies. An acceptable resolution can often be negotiated.

At the end of the day industrialists have to develop a working relationship with the enforcement agencies and vice versa. Industrialists need the enforcers to understand their problems, and conversely the environmental agencies need to educate the industrialists as to how to operate so as to inflict the least possible harm to the environment.

Many companies are beginning to appreciate the benefits of the environmental audit. Although these were once the preserve of a few environmentally conscious companies many more big industrial undertakings are developing corporate environmental policies.

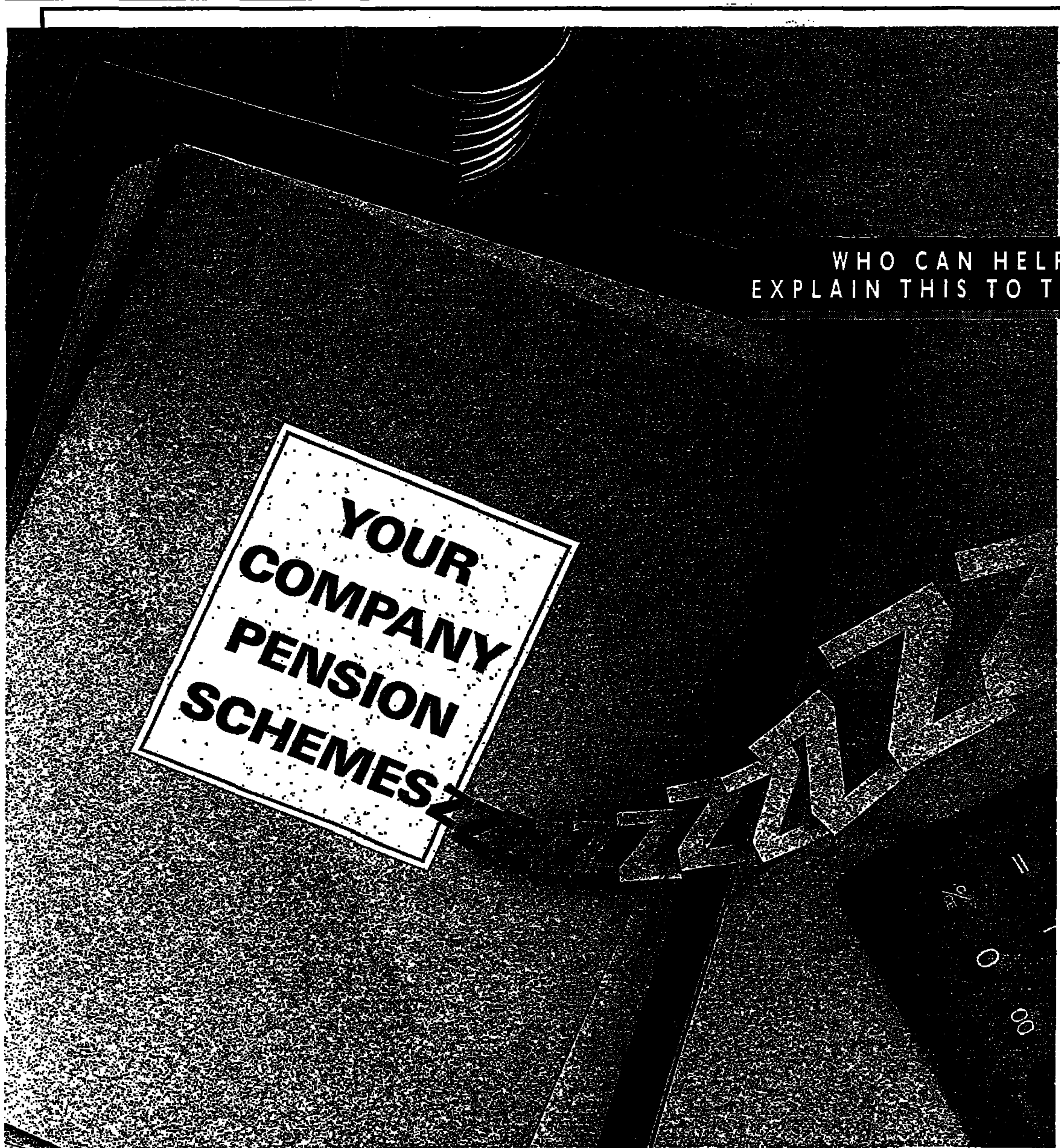
Environmental audits are undertaken on a regular basis to monitor compliance with existing legislation and to identify areas in which improvements can be achieved either by eliminating or reducing pollution or mitigating its effects and by reducing the exposure of employees and third parties to health risks.

In the field of mergers and acquisitions it is also important in the changed political and legal climate of today, to ascertain whether the target company has environmental liabilities or problems which the acquirer will not wish to shoulder.

The rule of caveat emptor means that full searches and inquiries have to be made on these matters and where necessary, appropriate indemnities must be required from the sellers.

There is a great deal to be done both by industry and its legal advisers in this rapidly developing and increasingly important area.

The author is head of the Environmental Law Group at the City solicitor Masons, and secretary of the United Kingdom Environmental Law Association (Ukela).



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FT LAW REPORTS

Prospectus claim is struck out

AL-NAKIB INVESTMENTS (JERSEY) LTD AND ANOTHER v LONGCROFT
Chancery Division: Mr Justice Mervyn Davies: May 1 1990

DIRECTORS who issue a prospectus to shareholders for the particular purpose of considering a rights issue owe no duty of care to those who use it for the different purpose of deciding whether to buy shares in the market.

Mr Justice Mervyn Davies so held when striking out part of a statement of claim in an action by the plaintiffs, Al-Nakib Investments (Jersey) Ltd and another, against nine defendants, Mr James Longcroft and others.

HIS LORDSHIP said that by their statement of claim the plaintiffs alleged that the defendants were directors of a Bermuda company called Mnemos Ltd, a subsidiary of the ninth defendant, Combined Technologies Corporation plc (Comtech), an English company.

Comtech developed an electronic information storage and retrieval system ("System 6,000"). Mnemos was incorporated to exploit System 6,000.

Application was made to the Stock Exchange for permission to deal in Mnemos shares issued on the unlisted securities market. A prospectus was published on April 19 1983 inviting subscriptions for 12,449,915 ordinary 10 cent shares in Mnemos at 65 pence per share.

The shares were offered by Comtech directors to Comtech shareholders. The offer was associated with an offer of Comtech shares, and with the fact that some Mnemos shares were the subject of an agreed subscription by "institutional investors".

The statement of claim complained that a number of statements in the prospectus were untrue or misleading. The principal complaint was that a statement that System 6,000 was fully developed and marketable was untrue.

Al-Nakib Investments was entitled to subscribe for 400,000 shares. In reliance on the prospectus it applied for 400,000 shares at a price of £260,000.

As to that transaction, relying on inaccuracies in the prospectus, Al-Nakib Investments claimed compensation pursuant to section 67 of the Companies Act 1985, and damages for negligence. The defendants did not seek to strike out those claims.

Complaints were made in respect of six other transactions which the applicants now sought to strike out.

In those transactions Al-Nakib Investments acquired 3,000,042 Mnemos shares in the market for £1,709,555; acquired options on 1,050,000 Mnemos shares for £95,608; increased its Comtech shareholding by 6,489,371 for £2,390,422; acquired 3,795,000 Mnemos shares for £1,424,255; and acquired 400,000 Comtech shares for £97,779.

Some of those transactions were said to be affected by misrepresentations in the prospectus. Others were said to be affected by misrepresentations in the interim reports read together with the prospectus.

The claims were framed in negligence against Comtech and the Comtech directors.

It was alleged that the directors knew or ought to have known that Al-Nakib Investments was a Comtech shareholder and was likely to consider whether to acquire Mnemos shares not only under the rights issue, but also in the market, and was likely to rely on the prospectus and interim reports; and that in considering the prospectus and interim reports in draft form and authorising their issue, the directors owed it a duty of care.

Mr Steinfeld for the defendants sought to strike out the claims deriving from those transactions. He said that directors no doubt owed a duty of care in respect of statements in a prospectus to persons who subscribed for shares offered by the prospectus, but in the present case the Mnemos prospectus was issued for a particular purpose — to invite Comtech shareholders to subscribe for shares in Mnemos at 65 per share.

That being the purpose of the prospectus, he said, it could not be relied on in respect of a purchase of shares in the market, and could not found a negligence claim against the directors.

In *Caparo Industries [1990] 2 WLR 358,371*, which related to auditors' accounts, Lord Bridge said that in cases where a statement occasioning economic loss might be the subject of a negligence claim, the salient feature was that the defendant giving information was fully aware of the nature of the transaction the plaintiff had in contemplation, knew the information would be communicated to him, and knew it was very likely he would rely on it in deciding whether or not to engage in that transaction.

He quoted from *Scott Group v McFarlane [1978] 1 NZLR 553* referring to "the need for a 'special relationship': a relationship which can properly be treated as giving rise to a special duty to use care in a statement. The question . . . is whether the nature of the relationship is such that one party can fairly be held to have assumed a responsibility to the other as regards reliability of the advice or information."

In *Caparo* at page 406 Lord Jauncey said: "Only where the auditor was aware that the individual shareholder was likely to rely on the accounts for a particular purpose such as his present or future investment in or lending to the company would a duty of care arise."

Those words showed that a duty of care did not attach to a situation where a statement had been made for a particular purpose and was used for another purpose. The question was whether a duty of care existed as between the directors and Al-Nakib Investments.

A duty of care would not arise because Al-Nakib Investments made use of the prospectus for a purpose other than that for which it was issued. The prospectus was given to Comtech shareholders to enable them to consider whether or not to take up an offer of one Mnemos share for every five Comtech shares at 65 pence per share.

In those circumstances the "special relationship" referred to in *Scott* did not arise, so the facts pleaded did not suffice to ground any duty of care.

The conclusion was the same with regard to the interim reports. They were issued for the purpose of informing Mnemos shareholders of the activities of the company. Al-Nakib Investments used them for the purpose of making up its mind whether or not to buy in the market.

Mr Milmo for the plaintiffs referred to Lord Bridge's words at page 368 in *Caparo*, that in decided cases where a duty of care in respect of negligent statements had been held to exist, he would expect to find that the "limit or control mechanism" imposed on the wrongdoer's liability to those who had suffered economic damage "rested in the necessity to prove . . . that the defendant knew his statement would be communicated to the plaintiff . . . in connection with a particular transaction of a particular kind (eg in a prospectus inviting investment) . . ."

Mr Milmo emphasised the words "eg in a prospectus inviting investment". He said the Mnemos prospectus invited investment.

However that might be, one still had to consider whether the prospectus invited buying in the market or taking up a rights issue.

Mr Milmo said the prospectus was issued to encourage the Comtech shareholders to take up Mnemos shares, either by taking up the rights issue or by buying in the market.

There was no encouragement to buy in the market in the wording of the prospectus.

Mr Milmo relied on *Smith v Bush [1989] 2 WLR 790* where Lord Griffiths said that where those who gave advice assumed responsibility, a duty of care was owed by the adviser to the advised "only if it is foreseeable that if the advice was negligent the recipient is likely to suffer damage, that there is a sufficiently proximate relationship between the parties and that it is just and reasonable to impose the liability".

The court adopted those words, but they left for further consideration the question what was a "sufficiently proximate relationship". That question was to be answered by considering by whom and to whom the advice was given.

The defendants did not owe the plaintiffs a duty of care in respect of the relevant transactions, in that the prospectus and the interim reports, having been addressed to the plaintiffs for a particular purpose, i.e. considering the rights issue, was used by the plaintiffs for another purpose, i.e. buying shares in the market.

The challenged paragraphs of the statement of claim were struck out.

For the plaintiffs: Patrick Milmo QC and Charles A.H. Gibson (Kingsley Napley)
For the defendants: Alan Steinfeld QC and Laurence Cohen (Norton Rose)

Rachel Davies
Barrister

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CYANAMID HOLDINGS COMPANY
(Incorporated in England with registered number 1584642) ("CHC")
and
AMERICAN CYANAMID COMPANY
(Incorporated in the State of Maine, United States of America) (the "Guarantor")
and
CYANAMID OF GREAT BRITAIN LIMITED
(Incorporated in England with registered number 1921277) ("CGBL")
NOTICE

to
the holders of the outstanding 9 per cent. Notes due 1991 of CHC (formerly of Cyanamid Holdings, Inc.) (the "Noteholders" and the "Notes" respectively) guaranteed as to payment of principal and interest by the Guarantor
of

(1) The substitution of CGBL in place of CHC as principal debtor under the Notes and the Coupons; and
(2) The appointment of CGBL by the Guarantor as an additional authorised agent upon whom process may be served

NOTICE IS HEREBY GIVEN to the Noteholders that-

(1) In accordance with Condition 15 of the Terms and Conditions of the Notes, CHC, the Guarantor and CGBL have entered into a Second Supplemental Fiscal and Paying Agency Agreement dated 18th May, 1990 (the "Second Supplemental Agreement") and CGBL has executed an Instrument dated 18th May, 1990 (the "Instrument") under which, with effect from and including publication of this Notice in accordance with Condition 14 of Terms and Conditions of the Notes, CGBL is substituted for CHC as principal debtor under the Notes and the interest coupons appertaining thereto (the "Coupons").

(2) The Instrument contains covenants substantially similar to those given by CHC under the Notes.

(3) Under the Second Supplemental Agreement the Guarantor confirms that its Guarantees of the Notes and the Coupons shall remain unaffected and shall continue in full force and effect notwithstanding the substitution of CGBL as principal debtor.

(4) Accordingly, CGBL is hereby substituted for CHC as the principal debtor under the Notes and Coupons with effect from including the date of this Notice.

(5) The Guarantor, in the supplemental Agreement referred to above, has irrevocably appointed CGBL as an additional authorised agent upon whom process may be served in any action or proceedings of or in the Courts of England arising out of or relating to any Note or Coupon or Guarantee.

(6) The Notes will not be stamped, nor exchanged, and will remain listed on the Luxembourg Stock Exchange under the name of the original principal debtor, Cyanamid Holdings, Inc, followed by the name of the new principal debtor, Cyanamid of Great Britain Limited. All further notices regarding the Notes shall refer to both names.

(7) A complementary legal notice as well as copies of the Memorandum and Articles of Association of Cyanamid of Great Britain Limited have been registered with the Greffe du Tribunal d'Arrondissement de et à Luxembourg.

Any Noteholder who wishes to inspect copies of the Instrument or the Second Supplemental Agreement mentioned above or the agreements to which it is supplemental or to obtain a copy of the Terms and Conditions of the Notes may do so at the specified offices of the Fiscal Agent or the Paying Agents listed below:-

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N.Y. 10015.

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Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 1040 Brussels.

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D.M. Barwell, Secretary, for CYANAMID HOLDINGS COMPANY

E.C. Roth, Secretary, for AMERICAN CYANAMID COMPANY,

D.M. Barwell, Secretary, for CYANAMID OF GREAT BRITAIN LIMITED

Dated 22nd May, 1990

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N J Vaught
Joint Administrative Receiver

CLOVER PARTNERSHIPS LIMITED

Registered number: 2132214
Nature of business: Construction
Trade classification: 25
Date of appointment of joint administrative receivers: 14 May 1990
Name of person appointing the joint administrative receivers: Midland Bank plc
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Joint Administrative Receivers
(Office holder nos. 249 and 339) of Cork Gully
43 Temple Row
Birmingham B2 5JT

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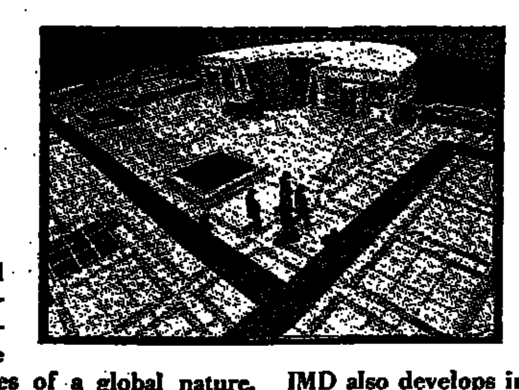

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COMMODITIES AND AGRICULTURE

Gold price hit by central bank selling, says report

By Kenneth Gooding, Mining Correspondent

CENTRAL BANKS and government investment institutions contributed to the weakness of the gold price last year by selling a net 225 tonnes of the precious metal – the highest level of official sales since 1979.

In the previous four years central banks were net buyers of gold, mopping up 285 tonnes in 1988. This change of direction was an important factor in driving the gold price down by 13 per cent from an average of $437 a troy ounce in 1988 to $381, *according to* "Gold 1990," latest in the series previously published by Consolidated Gold Fields and now under the aegis of Gold Fields Mineral Services.

The review suggests central bank net selling on the scale of 1989 is unlikely this year and there has been evidence of some buying after the sudden price fall in March.

Mr Stewart Murray, one of the authors, when introducing the review yesterday suggested the gold price was unlikely to fall much below its current level – $373.25 an ounce at the close last night – because physical demand reasserted itself strongly when the price fell below $400. On the other hand, neither was the price likely to rise much above $475 in the next year or two.

In the survey's words: "For gold to achieve the status of a genuine bull market, there will have to be a significant change in the fundamentals of supply and/or demand. This could provide the price with renewed impetus, not just in dollar terms, but in a range of currencies and thus restore the confidence of investors."

The biggest seller among the central banks in 1989 was Belgium, which unloaded 127 tonnes or 10 per cent of its total reserves. The review suggests that gold represented nearly 60 per cent of Belgium's official reserves and the central bank wanted greater flexibility by holding a higher proportion of its reserves in foreign currencies to meet balance of payments requirements or for intervention in the foreign exchange markets.

The only big central bank buyer last year was Spain's which took 65 tonnes of the Belgian gold. As gold represented less than 15 per cent of its reserves before the deal, Spain was a natural buyer.

The review, widely considered to be the most authoritative survey of the world gold *scene, is now published by a* joint-venture company backed by Gold Fields of South Africa, Newmont Mining of the US and Renison Goldfields Consolidated of Australia.

Highlights of the 1989 gold market, according to the review, included:

● Total supply of gold rose by 4 per cent to 2,723 tonnes, up from 2,610 tonnes in 1988.

● Mine production rose by 7 per cent to a record 1,653 tonnes. Growth came from mines in North America and Australia, with combined production exceeding that of South Africa for the first time since 1911.

● Falling prices held back supply of scrap which fell by 7 per cent to 304 tonnes.

● Net sales from what was once called the communist bloc were 13 per cent up at 296 tonnes. That was lower than many forecast, principally because of strong Chinese demand and supply difficulties in the Soviet gold industry.

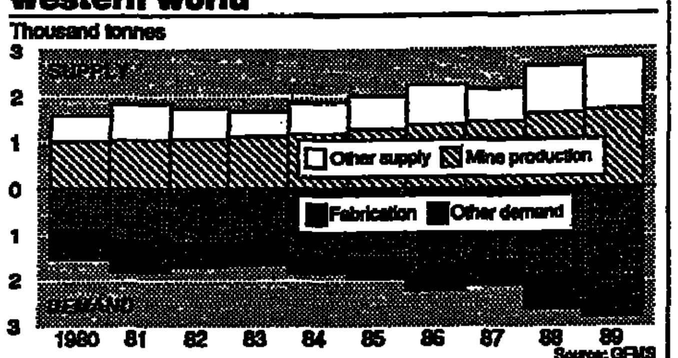
● For the second successive year, demand from jewellery makers rose strongly, by 23 per cent to a record 1,811 tonnes.

● Gold used in electronics *increased by 3 per cent to* 138 tonnes, overtaking the quantity of gold fabricated into official coins which slipped from 137 tonnes to 123 tonnes.

● In contrast to the disinvestment in Europe over much of 1989, investors in Asia and Brazil provided considerable support to the market, absorbing a record 516 tonnes of gold in bar form.

"Gold 1990," free from GFMS, Greencoat House, Francis Street, London, SW1P 1DH.

Gold supply and demand in the western world



Source: GFMS

Screen come-back for rubber futures

By David Blackwell

RUBBER FUTURES trading returns to London tomorrow at 8.30 am when the London Futures and Options Exchange (Fox) at last launches its screen-based contract.

The contract will be in SIR 20 (Standard Indonesian Rubber, type 20), a technically specified rubber that is in growing demand, particularly from tyre makers. It has had a long gestation period – the launch was originally scheduled for last July, after more than 12 months of discussions.

Mr David Landais, manager of the Fox rubber contract project, is hoping that trading volume will quickly reach 200 to 300 contracts a day – a level at which the electronic trading system is viable – and then grow.

"The physical market at the moment is very flat, so we are prepared to be patient," he said yesterday.

Nine screens have been sold – seven in London, one in New York and one in Singapore. The exchange will be using its new Fast system (Fast Automated Screen Trading), which the white sugar market, now trading around 1,000 lots a day, switched over to earlier this month.

The importance of the rubber trade in London has been in rapid decline since its heyday in the 1950s, and a couple of attempts at re-establishing futures contracts on the London Commodity Exchange, Fox's predecessor, came to nothing. Not all the surviving London physical traders have taken up screens in the new market.

"Obviously this is a disappointment, but we have been tarred with the brush of London failures in the past," said Mr Landais. "When we are up and running *I think the trade* will come to us. But there is a degree of scepticism, as you can imagine."

He is hoping to attract business from the Far East, which has rubber futures markets in Kuala Lumpur, Tokyo and Kobe.

"We will be the only viable hedging medium in the Western world. The contract has enormous potential," said Mr Landais.

Next month a third screen-based contract – in the Metallgesellschaft metals index – is expected to start trading with at least 15 screens, making it the most widely-based of the Fox automated markets.

"We have traded more than 1m lots in white sugar. We have come through the *learning curve. Now we're adding* to our business," Mr Mark Blundell, Fox chief executive, said yesterday.

Green storms disturb forest peace

Bernard Simon on problems facing Canada's timber industry

CANADA'S FORESTRY industry, accustomed to getting on with its business undisturbed in remote forests and sawmills, is finding itself on the defensive in one public storm after another over the environment.

Confrontations over issues ranging from pulp mill effluent to the preservation of old forests and stiffer requirements for recycled newsprint are costing the companies unexpectedly large amounts of time and money, while forcing them to consider the environmental implications of their actions more carefully than they ever have before.

"In this climate, one can't dismiss the possibility of political pressure on anything," says Mr Ron Woznow, vice-president for environmental affairs at Fletcher Challenge Canada and a former aide to a federal environment minister.

The British Columbia Council for Forest Industries estimates that 17 pulp mills in the province will spend about C$1bn (£520m) over the next four years to modify their bleaching processes, mainly by installing secondary treatment systems.

But Mr Woznow says that while the Canadian companies already have to live with many more pollution controls than their Scandinavian counterparts, the Scandinavians "have been very good at marketing" *their anti-pollution record.*

The industry got its biggest jolt in March when the Alberta Government decided to stall construction of one of the world's biggest pulp mills pending further studies on the environmental impact of the effluent it will spew into the Athabasca River.

The mill's partners, Mitsubishi of Japan and Vancouver-based Cresbrook Forest Industries, last week submitted a new proposal for the C$1.3bn project in an effort to find an alternative to the uncertainty and expense of a review which could take up to two years to complete.

The spotlight has also recently fallen on protection of virgin forests. The British Columbian Government told MacMillan Bloedel of Vancouver last month that more than half of the 6,700-acre Carmanah Valley on Vancouver Island, for which the company has tree-cutting licences, will be preserved as a natural forest. The valley contains some of the tallest and oldest spruce trees in North America.

The Ontario Government also took the environmentalists' side earlier this month by giving native groups a veto over the harvesting of almost 100,000 acres of pine in the Temagami area in north-east Ontario, a region which has been a focus of environmentalists' concern for more than a year. The decision will force the closure of a local mill with the loss of 70 jobs.

Although the Carmanah valley contains only about 1 per cent of Macblo's annual cut, the problem for the company is that it contains wood of high quality relatively close to a mill. Forest products analyst Mr Robert Duncan at of securities firm Wood Gundy adds that "it's 1 per cent here, 1 per cent there and 1 per cent somewhere else, and before you know it, it's a significant amount."

On yet another front, the Canadian forestry companies, which are the world's biggest newsprint producers, are scrambling to comply with a plethora of US laws requiring publishers to get as much as half their newsprint needs from recycled paper. Five companies have announced plans for recycling plants since last November.

Instead of having to spend between C$60m and C$80m apiece on de-inking machines to clean old newspapers for recycling, the newsprint producers would prefer to use the fibre for products where whiteness is less important, such as boxboard. Quebec is thinking of subsidising companies in the province which invest in de-inking facilities.

In meeting the demands of environmentalists, the Canadian forestry companies face some special problems which threaten to raise their costs significantly. The Canadians' competitiveness in the recycled newsprint market, for instance, is hampered by most paper mills' remoteness from urban areas, the main sources of used newsprint.

If more forests relatively close to mills are put off limits, the companies are concerned that a rising proportion of their timber will have to come from less accessible and thus more costly sources. Furthermore, long, cold winters mean that trees grow far more slowly in Canada than in the southern US or Brazil. Hardwood trees that are cut down take 40 years or more to replace.

The companies are especially upset by the growing involvement of the Federal Government in the environment, an area supposedly reserved for provincial jurisdiction. "We would like to see a one-window approach, instead of dealing with two levels of government," says Mr Brian McCloy of the BC Council of Forest Industries.

It was a federal official who last October interrupted an environmental hearing to raise the most publicised objections to the emissions from the planned Mitsubishi pulp mill in Alberta.

By virtue of its jurisdiction over fisheries, the Federal Government recently published tough new proposals to curb pulp mill emissions. The proposed standards aim to control both the generation and release of chlorinated dioxins and furans, two of the most prevalent toxic substances in pulp mill effluent. For example, the proposals would require effluent to be clean *enough* for half of any group of fish exposed to it to survive for at least four days.

Although its earnings have dropped sharply in recent months, the industry can on balance probably afford the anti-pollution demands made on it up to now. *Most* companies still have reasonable cash flows and the strongest balance sheets in more than a decade.

Fletcher Challenge's Mr Woznow says that "our concern would be if additional requirements are laid on us." In particular, he cites a struggle between the industry and environmentalists over limits on the absorbable organo-chlorines spewed out by pulp mills.

The companies have suggested a floor of 2.5 kg per tonne of pulp produced, but the environmental lobby is urging an upper limit of only 1.5 kg/tonne. Meeting the latter target, Mr Woznow estimates, would cost the industry another C$900m. The Government has yet to take sides on this issue.

None the less, the companies are finding some silver linings to their environmental clouds. Their workers, almost three-quarters of whom live in one-mill towns, have become strong allies. For example, workers in Port Alberni, the sawmill community closest to Carmanah, have been among the most vociferous opponents of the moves to curb logging in the valley.

Noting that the Mitsubishi project in Alberta is the sixth pulp mill project either cancelled or delayed in various parts of the world in little more than a year, Wood Gundy's Mr Duncan predicts that existing producers may benefit over the next few years from tighter supplies, and thus higher prices.

Moscow's grain buyers under attack

THE SOVIET Union, faced with growing food shortages, must cut grain imports and sharpen dealing on world markets to save foreign currency reserves, Soviet newspapers have warned, reports Reuters from Moscow.

Pravda, the Communist Party daily, reporting a meeting of the parliamentary food committee, said poorly organised grain imports disrupted agriculture and swallowed huge sums of foreign currency.

Ministry officials worked without expert advice, often buying the wrong grain at inflated prices, it said.

"We have become dependent on (grain) imports like a drug addict on his needle," the gov*ernment newspaper Izvestia* said in its Sunday report of the meeting.

The Soviet Union, beset by chaos in its agriculture, spent nearly a third of its foreign currency earnings last year on importing grain and oilseeds. Huge purchases and speculation about its harvests have periodically rocked world grain markets.

In the past, Moscow settled its accounts promptly, but recent failure to meet some deadlines has caused concern among some western businessmen and bankers.

Pravda said this year Moscow was set to buy more than the 38m tonnes of grain it bought on world markets in 1989 to supply shops and feed livestock. The cost of chartering foreign ships alone rose to $680m last year from $420m in 1988. *"Ships build up in the* ports and unloading is delayed. . . Cutting imports will not be easy, but there is no other way out. It will be even more difficult to do this tomorrow and the consequences would be more severe," Pravda said.

"The root of the problem is not so much a lack of grain as much as the extreme inefficiency of its use."

About $2m worth of grain was currently on cargo ships, awaiting unloading, Pravda said. Last year, it added, large quantities were shipped into southern ports at the height of the domestic harvest, overloading stores and causing more losses.

President Mikhail Gorbachev's cautious attempts to reform the Soviet Union's state farm system have so far failed. *Even attempts to spur pro*duction with incentives in foreign currency appear to have failed.

South Africa importing coal

By Gerard McCloskey

SOUTH AFRICA, one of the world's major coal exporters, is starting to import coal and is doing so from at least one country that bans imports from the Republic.

The imports have been arriving at the country's major export terminal at Richards Bay from the US and Poland. Although imports from South Africa into the US have been banned for a number of years exports are perfectly legal. Another supplier shipping to Richards Bay in March was Poland from state exporter Weglokoks through a trader. A major west Canadian coal exporter is said to be advanced in preparations for at least one shipment.

Although South Africa exports both coking coal and steam coal, the coking coal is poor quality, as is most of that produced for domestic consumption. This has led the state steel producer, the Iron and Steel Corporation, in the last few months to seek high-quality low-ash coals to improve the productivity of the coke ovens.

So far at least six shipments have been unloaded and coal traders believe that, depending on quality, between 500,000 and 1m tonnes will be required annually. Iscor indicates that the lower figure is the more likely.

South African coal is formally banned from relatively few major coal importing countries – notably Denmark. Other countries, like France, or companies, like National Power and PowerGen, choose not to buy from the republic although imports are perfectly legal in both Britain and France.

That Poland has become a supplier is something of a surprise. The sympathy of the former East Bloc nations towards South Africa was so much beyond question that nobody bothered questioning it. The reality is somewhat different. Romania has been importing South African steam coal for years while East Germany and China have been occasional purchasers.

Clearing house launches yearbook

THE FIRST commodities yearbook from Londons's International Commodities Clearing House is published today, providing a comprehensive record of price, production and consumption statistics for most markets over the past 10 years, writes David Blackwell.

The book, published by Macmillan in association with the ICCH, contains articles and statistics covering all the base and precious metals, soft commodities and energy markets, complete with clear graphics. It also has a directory of the world's futures exchanges and an appendix giving details of information sources.

● *ICCH Commodities Yearbook 1990, edited by Giles Evans, £65, Macmillan Press, pp 362.*

WORLD COMMODITIES PRICES

MARKET REPORT

THE COPPER market continued last week's downward trend on the London Metal Exchange yesterday. News that a scheduled walkout at Southern Peru Copper Corporation had been postponed depressed values in New York, adding to the bearish influence already being felt from an increase in exchange warehouse stocks and the lifting of a strike at Centromin, Peru's state mining company. These factors also hit LME values, with the three months price dipping to a three-month low of £1,477 a tonne at one stage before a late rally lifted it to £1,486.50 at the end of the closing ring. The cash position closed £14 down on the day at £1,559 a tonne. The Peruvian factors also affected the LME zinc market, where the cash position fell $18 to $1,694.50 a tonne at the close. A rally in the New platinum price helped the gold price to gain $3.50 to $373.25 a troy ounce. Platinum traders attributed the metal's $9.25 rise to $501.75 a troy ounce to speculative buying on rumours about possibly strike action at a South African mine. London's July cocoa futures price ended £6 down at £938 a tonne after Ivory Coast dockworkers postponed a planned strike until June 5 at the earliest.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.75-4.80q	-.325
Brent Blend	$17.43-7.47q	-.375
W.T.I. (1 pm est)	$19.05-9.10q	-.80
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$250-252	-2
Gas Oil	$154-155	-2
Heavy Fuel Oil	$70-72	+1
Naphtha	$150-155	-3.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.25	+3.50
Silver (per troy oz)♣	516c	+9.00
Platinum (per troy oz)	$501.75	+9.25
Palladium (per troy oz)	$122.50	+4.00
Aluminium (free market)	$1830	+5.00
Copper (US Producer)	134.75c	-3.25
Lead (US Producer)	45c	
Nickel (free market)	390c	-5.00
Tin (Kuala Lumpur market)	17.05r	-0.01
Tin (New York)	301c	
Zinc (US Prime Western)	87c	
Cattle (live weight)†	103.93p	-5.22*
Sheep (dead weight)†	233.39p	+23.7*
Pigs (live weight)	107.22p	+7.92*
London daily sugar (raw)	$342.40	-7.40
London daily sugar (white)	$441.0z	-5.50
Tate and Lyle export price	£316.0	-4.50
Barley (English feed)	£112u	
Maize (US No. 3 yellow)	£143.0w	+0.50
Wheat (US Dark Northern)	£124	
Rubber (Jun)♥	55.50p	
Rubber (Jul)♥	56.00p	-0.50
Rubber (KL RSS No 1 Jun)	231m	
Coconut oil (Philippines)§	$360.0z	-5.00
Palm Oil (Malaysian)§	$282.5t	+2.50
Copra (Philippines)§	$235	
Soyabeans (US)	£163v	-2.00
Cotton "A" index	83.70c	
Woollops (64s Super)	536p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jun. u-Aug. v-May/Aug. w-Jun z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	320.60	318.20	321.60 316.00
Oct	318.80	317.80	320.00 314.40
Dec	325.00	325.00	316.00 316.00
Mar	302.00	302.00	303.00 300.00
May	304.00	301.00	304.00
Aug	302.00	299.00	302.00 298.00
White	**Close**	**Previous**	**High/Low**
Aug	437.0	436.8	436.0 431.0
Oct	400.5	400.0	402.0 395.0
Dec	389.0		387.5 384.0
Mar	383.0	380.0	382.0 378.0

Turnover: Raw 4716 (4151)lots of 50 tonnes. White 712 (768)
Paris- White (FFr per tonne): Aug 2440, Oct 2345, Dec 2162, Mar 2160, May 2160

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jul	17.46	17.68	17.76 17.45
Aug	17.70	17.84	17.74 17.65
Sep	17.85	18.07	18.00 17.85
IPE Index	17.86	17.81	

Turnover: 6139 (10353)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jun	152.75	153.50	153.75 152.50
Jul	153.25	153.75	153.75 152.75
Aug	155.50	156.00	154.50 155.00
Sep	157.50	159.00	158.25 157.50
Oct	159.50	161.00	160.50 159.25
Nov	161.25	163.50	162.75 161.25
Dec	163.00	164.50	163.00
Jan	162.75	163.50	163.25

Turnover 3589 (6011)lots of 100 tonnes

TEA

There were 28,245 packages on offer, including 7,800 offshore, reports the Tea Brokers' Association. Demand was stronger and more general. Improved East Africans met active competition and were 5-10p dearer, with mediums fully firm. Plainer sorts and Central Africans met more selective enquiry and eased 2-4p. Ceylons continued to attract good support at fully firm to dearer rates. There was less demand for offshore teas and prices were irregular. Quotations: Quality 220p (210p), Medium 132p (127p), Low Medium 88p (90p).

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May		950	944 942
Jul		944	964 936
Sep		961	960 953
Dec		961	997 970
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover [illegible] lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

Turnover [illegible] lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	

Turnover [illegible]

GRAINS – BFE £/tonne

	Close	Previous	High/Low
Wheat			
Jun	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Barley	**Close**	**Previous**	**High/Low**
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Turnover: Wheat [illegible], Barley [illegible]. Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Turnover [illegible] lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Ring turnover [illegible] tonne	
Cash	1519-21	1517-20	1522/1520	1521-2		
3 months	1546-7	1546-4	1550/1542	1547-8	1549-50	[illegible] lots
Copper, Grade A (£ per tonne)					Ring turnover [illegible] tonne	
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Lead (£ per tonne)					Ring turnover [illegible] tonne	
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Nickel ($ per tonne)					Ring turnover [illegible] tonne	
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Tin ($ per tonne)					Ring turnover [illegible] tonne	
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Zinc, Special High Grade ($ per tonne)					Ring turnover [illegible] tonne	
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots

LME Closing £/$ rate: SPOT: [illegible] 3 months: [illegible] 6 months: [illegible] 9 months: [illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	[illegible]	
Opening	[illegible]	[illegible]
Morning fix	[illegible]	[illegible]
Afternoon fix	[illegible]	[illegible]
Day's high	[illegible]	
Day's low	[illegible]	
Coins	**$ price**	**£ equivalent**
Maple leaf	[illegible]	[illegible]
Britannia	[illegible]	[illegible]
US Eagle	[illegible]	[illegible]
Angel	[illegible]	[illegible]
Krugerrand	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]
Silver fix	**p/fine oz**	**US cts equiv**
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper (Grade A)	**Calls**		**Puts**	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

May 21	May 18	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

	May 18	May 17	mnth ago	yr ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Gains sustained in sluggish session

A SESSION of consolidation on the London stock market saw share prices finally capture higher ground as the equity sector moved into the second week of the trading account, which will be featured tomorrow by the latest UK trade figures.

Account Dealing Dates		
First Dealings:		
May 14	May 29	Jun 11
Option Declarations:		
May 24	Jun 7	Jun 21
Last Dealings:		
May 25	Jun 8	Jun 22
Account Day:		
Jun 4	Jun 18	Jul 2

*New time dealings may take place from 8.00 am two business days earlier

Last week's mood of optimism was sustained by the April total of UK bank and building society lending which, at £3.9bn, was substantially lower than predicted by equity strategists at several leading securities firms. However, the most significant feature yesterday was the fall in trading volumes to levels which revived concern over the financial health of some trading firms.

Thin trading was reflected in volatile share prices. They opened lower, moved higher, turned down again and then advanced at the close. The market was helped by firmness in the Footsie future, but traders were still busy unravelling positions thrown up by last week's advance. At its final reading, the FT-SE Index was a net 13 points higher at 2,282.1, the best of the day and a considerable turnround in a market which dipped to 2,261.3 just before lunchtime. Seaq volume totalled only 316.2m shares, a far cry from Friday's 594.8m or Thursday's 645.4m.

The market overall appeared more optimistic than the turnover figures suggested. The April bank lending figures found a warm welcome, traders noting that the Government bond market responded favourably. Further improvement in gilts is regarded as a pre-requisite of any prolonged advance in equities.

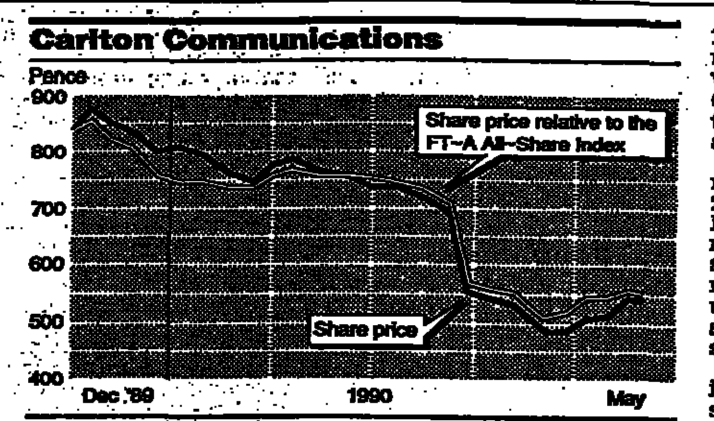
The mood in equities was also helped by yesterday's firmness in the pound, which acted as an encouraging curtain-raiser for the UK trade figures for April. Some market strategists are looking for a substantial reduction in the monthly current account trade deficit, perhaps to £1.4bn, from the £2.2bn recorded for the previous month.

With the market still re-stabilising itself after the excitement triggered last week by hints of an earlier British move to full membership of the European Monetary System than previously anticipated, there were fewer individual features yesterday.

Shares in Carlton Communications, a volatile performer in recent months, ended sharply lower as higher interim profits found an uncertain reception and some profit-taking pressure in the stock market.

Among the internationals, Reuters reacted from last week's gains, but Glaxo moved ahead on hopes that this week will bring approval in the US from the Federal Drug Administration for Zofran, its anti-nausea drug. Rolls-Royce shares strengthened as traders waited for clearance for the shares to begin trading in US markets in the form of American Depositary Receipts (ADRs).

Second thoughts on Carlton



AN EARLY rise by Carlton Communications in response to interim figures was soon lost, and the stock further retreated to become the weakest performer of the day among FT-SE 100 companies.

The 54 per cent rise in profits to £65m was in line with expectations. Analysts said that the slowdown at Technicolor – margins were under pressure as a result of the contracting out last year of some work – had been expected.

Ms Bronwen Maddox at Kleinwort Benson said investors should take a cautious stance on Carlton. She trimmed her forecast for full year profits from £165m to £158m, saying that the company's manufacturing operations would slow with the economy.

Ms Jane Anscombe at BZW argued that Carlton was still a buy and left her £160m forecast unchanged, while Mr Keith Woolcott at Laurence Prust said the shares' retreat was the result of profit-taking after recent rises. He pointed out that the rises took place in genuine volume and that some people could take profits with a 50 per cent gain.

The shares briefly touched a day's high of 548p, dropped to 509p and ended at 515p, a net fall of 25. Volume was a strong 1.9m shares.

Thorn higher

Electronics to leisure group Thorn EMI, a perennial bid favourite in the London market, raced higher to close 14 ahead at 722p amid a flurry of buying, said to have been driven by takeover speculation and hints that a management buyout (MBO) of Rumbelows, its electrical retailing division, could be in the offing.

Specialists said that an MBO of Rumbelows had recently been attempted but rejected by the Thorn management. Turnover in Thorn EMI shares, however, was an unremarkable 557,000, inclining dealers to ignore the MBO/takeover stories.

Traders said a more plausible reason for the recent rise in the shares was a buy note just issued by Ms Judy Stewart of Kleinwort Benson Securities, and also prospects for the preliminary results expected on May 31. The Kleinwort analyst, who has labelled the shares a "long-term buy," predicted pre-tax profits of £319m, against last year's £289.1m.

She said the Thorn share price "is now beginning to reflect the group's true underlying situation – the fundamentals remain healthy (except lighting and software where action is being taken) and our forecast, struck back in September last year, looks eminently achievable."

A poor showing by crude oil prices - Brent crude for July delivery was down some 30 cents a barrel yesterday - continued to weigh heavily on the oil and gas sector.

BP ran back 5¼ to 316½p on turnover of 5.5m, with selling pressure said to have been additionally triggered by a 22-page sell note issued by Mr Philip Morgan at Laing & Cruikshank. Mr Morgan said "we are concerned that the combination of weak earnings growth and a declining yield premium to the market could trigger a move in the relative to establish a new, lower trading range."

Shell Transport slipped 3 to 458p on 1.7m shares, while British Gas, on 4.6m, were a fraction off at 213½p ahead of preliminary results scheduled for a week next Thursday. Hoare Govett, Gas's broker, is going for net income of £950m against £898m.

Burmah moved up 6 more to 594p, albeit on thin turnover of only 589,000 shares. Calor managed a minor gain at 268p after recent publicity given to old news that SHV, the private Dutch group which already speaks for some 44.2 per cent of the Calor equity, will increase its holding by 2 per cent this year.

Premier Consolidated Oilfields picked up 2¼ to 88¾p as last Friday's rather disappointing news from its offshore Thailand drilling operations was offset by much more encouraging developments in Pakistan. Premier said drilling at its Qadirpur 2 well in Pakistan had produced gas at a rate of 21m cubic feet per day, an encouraging result after its 19m cubic feet per day flow from the original gas find. Mr Jeremy Hudson of Shearson Lehman said the latest figures added some 6p a share to Shearson's net asset value, which moved up from 106p to 112p a share.

Enterprise Oil eased 2 to 616p, with the market said to be convinced that the placing of ICI's 25 per cent stake in the oil group is not too far away. Lasmo shed 3 to 398p.

The market's late rally left Reuters behind in the wake of ADR selling in New York late last Friday. The shares spent most of the session showing a fall, but rallied before the close to end unchanged at 233½p on modest turnover for the stock of 3.3m.

New York also left Reuters to the profit-takers after the stock's record-breaking run in recent weeks. The price fell 17 to 1123p, having bottomed 13 below that.

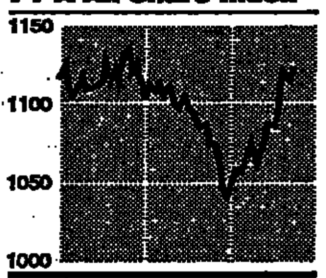
A buy recommendation for SmithKline Beecham from a New York securities house was said to have boosted US interest in SK Beecham's equity units, which rose 70 to 2508p. The separately traded "A" shares followed suit with an improvement of 13 to 548p, the highest value since February. The equity units, nominally worth five "A" shares, are largely held in the US because Americans holding "A" shares face higher taxes on dividends from foreign countries. Similarly, UK holders have to pay more tax on income from equity units.

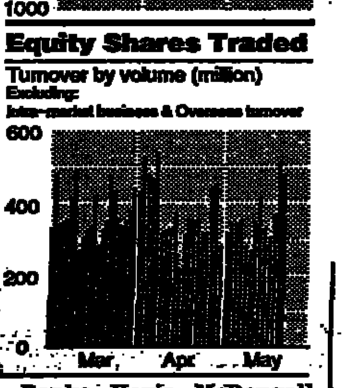
Brewery issues continued last week's good form, which took the sector to an all-time high against the market. Late rumours yesterday pushed Allied Lyons 5 better to 474p and Grand Metropolitan 8 higher to 597p. Bass, 11 to the good at 1024p, closes the current results season for the leaders with interims tomorrow. Courtaulds' results are also tomorrow and the shares added 11 at 334p.

British Airways, which reveals figures today, rose 3 to 213p, but thoughts of what Fisons' annual meeting today might reveal excluded the stock from the market's late rally. The shares closed unchanged at 360p, having spent much of the session showing a loss.

A 10 per cent improvement in profits to £2m at the interim stage from boat-builder Fairline Boats helped the shares rise 10 to 738p.

A 20 per cent rise in full year profits from A. B. Foods left the shares 2 up at 390p. The company said that lower margins in the UK had been more than compensated for by results achieved overseas.





Ranks Hovis McDougall advanced in anticipation of interim results, due tomorrow. The shares added 6 at 395p, the day's peak. Polly Peck's annual meeting is today and the shares improved 6 to 433p on good turnover of 3.3m.

Weekend press reports that Kingfisher's bid for Dixons would not get the go-ahead from the Department of Trade and Industry were widely believed in the City. The companies' share prices responded accordingly, with Dixons slipping 5 to 124p and Kingfisher improving 5 to 306p. Turnover was 2.1m and a light 218,000 respectively.

Full year profits from Goldsmiths, the jewellery retailer, jumped 79 per cent to £4.1m, but it was not enough to please the market and the shares fell 20 to 116p.

A 9 per cent rise to £4.9m in first-quarter trading profits from Argos, newly demerged from BAT Industries, helped the shares climb 5 to 209p. Turnover was a good 3.2m.

A presentation by Ratners to retail sector analysts helped the company's shares firm 11 to 255p.

Rolls-Royce advanced strongly as dealers in London anticipated that the New York Stock Exchange would soon grant approval for trading to begin in its American Depositary Receipts (ADRs). The shares rose 9 to a record 214p. Goldman Sachs, the US securities house, was said to have been a big buyer; turnover rose to 17m shares.

British Aerospace, a dull feature recently, rallied 13 to 522p. Interest came from Sunday press reports of an expansion strategy for the 1990s. A sizeable buyer was seen early in the session.

Pendragon closed 4 up at 114p after the company's chairman sounded a positive note at yesterday's annual meeting. Shares in Tace, the rubber products manufacturer, forged ahead 25 to 161p after the company announced that the MacKenzie family and other shareholders holding a combined 46 per cent of the equity wished to sell their interest. Profit-taking following the recent advance left Kwik-Fit 5 lighter at 83p.

Williams Holdings were wanted and closed 5 firmer at 284p, but it was a shortage of stock that sent TI up 10 to 474p. The latter said it had entered into a joint venture with the French concern Societe Mecanique Magnetique (S2M) by acquiring an interest in Magnetic Bearings (MBI), a US business previously owned by S2M and Kollmorgen. MBI will now be 60% owned by TI and 40% by S2M.

Takeover stories continued to produce buying interest in Blue Circle, up 7 at 235p.

The property arena was mixed. In the front line stocks, Land Securities, reporting preliminary figures tomorrow, was a shade easier at 484p. Analysts were said to be going for a net asset value of 870p a share.

Among other leading properties, British Land slipped 8 to 329p and MEPC 2 to 494p. Hammerson "A" dipped 11 to 714p. Rosehaugh shares, damaged by market talk that they had reached a chart sell point, fell 13 to 197p.

Speyhawk, badly treated by the market during recent weeks, bounced up 7 to 152p as dealers picked up hints of imminent property sales. London & Metropolitan advanced 5 to 56p for the same reason: as one trader put it, "any sort of sales in this market have got to be seen as bullish."

A profits downgrading issued by Mr Fred Wellings of Laing & Cruikshank saw Taylor Woodrow shares dip sharply to touch 269p before closing a net 8 off at 275p; turnover in the stock reached 3m shares. Mr Wellings said he had reduced his forecast for the current year from £118m to £100m "to allow for reduced property sales." He said "there is little rationale for a company selling its best assets to maintain profits."

However, Ms Krystyna Brzeskwinski of Hoare Govett, Taylor Woodrow's broker, said she had "no intention of going below our current figure of £118m."

A big two-way business developed in British Telecom ahead of the preliminary results, expected at 10.00am Thursday morning. The analysts' meeting will be held 30 minutes after the results are published. Most analysts are going for a pre-tax figure of £2.7bn, compared with last year's £2.44bn, and a net dividend per share of 11.8p, up some 12 per cent on last time's 10.5p. At the close, BT were marginally firmer at 275½p.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

FINANCIAL TIMES STOCK INDICES

	May 21	May 18	May 17	May 16	May 15	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.23	78.74	78.49	78.91	77.05	85.42	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.45	87.27	86.93	86.13	86.13	97.30	92.91 (9/1)	85.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1810.8	1783.3	1795.7	1739.8	1731.6	1803.6	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	212.6	207.1	217.1	218.0	217.8	188.3	378.5 (6/2)	207.1 (18/5)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2282.1	2269.1	2264.4	2221.1	2212.2	2169.0	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.08	5.13	5.12	5.27	5.27	4.37				
Earning Yld %(full)	11.43	11.56	11.53	11.83	11.80	10.83				
P/E Ratio(Net)(*)	10.68	10.49	10.49	10.22	10.24	11.36				
SEAQ Bargains 4.45pm	25,555	36,128	30,801	34,385	25,880	34,810				
Equity Turnover(£m)†	-	1156.67	1192.41	875.32	730.42	1547.51				
Equity Bargains†	-	36,236	30,177	23,818	23,322	35,711				
Shares Traded (ml)†	-	478.1	508.5	373.8	311.6	554.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. Nil 10.47

Ordinary Share Index, Hourly changes. Day's High 1810.8 Day's Low 1789.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1789.3	1801.7	1795.7	1792.7	1794.4	1797.8	1799.4	1799.3	1805.1

FT-SE, Hourly changes. Day's High 2282.1 Day's Low 2261.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2263.6	2277.4	2269.7	2263.8	2263.0	2266.0	2266.8	2269.7	2276.3

GILT EDGED ACTIVITY

Indices	May 18	May 17
Gilt Edged Bargains	100.8	118.1
5-Day average	93.4	95.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	[illegible]	[illegible]	[illegible]
ASDA Group	[illegible]	[illegible]	[illegible]
Abbey National	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beazer	[illegible]	[illegible]	[illegible]
Berisford Int.	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. Aerospace	[illegible]	[illegible]	[illegible]
British Airways	[illegible]	[illegible]	[illegible]
British Gas	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
BP	5,500	316½	−5¼
British Steel	4,000	146	+½
British Telecom	5,600	275½	+½
Bunzl	682	90	
Burmah Oil	589	594	+6
Burton	238	175	+4
Cable & Wire.	2,000	528	+12
Cadburys	602	337	+3
Calor Group	80	268	+1
Carlton Comms.	1,900	515	−25
Coats Viyella	1,200	117	+3
Comm. Union	725	478	+5
Cookson	147	208	+3
ICI	828	1103	+11
Inchcape	349	280	+3
Kingfisher	281	306	+5
Ladbroke	1,808	312	+10
Land Securities	1,100	484	−1
Laporte	174	532	+8
Legal & General	571	397	+4
Lloyds Abbey	304	312	+8
Lloyds Bank	1,500	270	+1
LASMO	108	398	−3
Lonrho	1,500	236	+3
Lucas	453	617	+10
MB Group	334	271	+1
Rolls Royce	17,000	214	+9
Rothmans	93	674	−1
Ryl Bk Scotland	303	176	+4
Royal Insurance	1,600	458	+1
STC	1,300	259	−1
Saatchi	781	98	+2
Sainsbury	632	275	+3
Scottish & New.	1,000	321	+4
Sears	4,300	98	+2
Sedgwick	185	251	−1
Severn Trent Water	884	140	+3
Shell Transport	1,700	458	−3
Siebe	108	468	+4
United Biscuits	1,100	343	+4
Utd. Newspapers	88	325	−1
Water Package Uts.	1	£1525	+7
Wellcome	388	887	+9
Welsh Water	354	174	+2
Wessex Water	138	155	+3
Whitbread "A"	881	412	−1
Williams Hldgs.	1,300	284	+5
Willis Faber	1,700	278	−4
Wimpey	229	233	+1
Yorkshire Water	202	172	+2

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (88). BRITISH FUNDS (12) AMERICANS (1) BREWERS (1) BUILDINGS (2) CHEMICALS (1) STORES (1) ELECTRICALS (2) ENGINEERING (2) FOODS (4) INDUSTRIALS (5) Astra AB, Diploma, Doctus, Dolphin Pack., Kelsey Inds., Robertson Grp., Stora "B" Free, Williams Hldgs., TRUSTS (5).

NEW LOWS (82). AMERICANS (2) CANADIANS (2) BANKS (3) BREWERS (1) BUILDINGS (1) CHEMICALS (2) STORES (2) ELECTRICALS (7) ENGINEERING (5) HOTELS (1) INDUSTRIALS (12) B.H. Prop., Bibby (J.), Chestergate, Electrolux, Hunting, Do. 8¼pc Pf., Medeva, Optometrics, Porth Grp., Russell (A.), Shanks & McEwan, Sinclair (Wm.), INSURANCE (2) LEISURE (4) PAPERS (3) PROPERTY (7) TEXTILES (1) TRANSPORT (2) TRUSTS (8) OILS (8) OVERSEAS TRADERS (1) MINES (14) THIRD MARKET (3).

APPOINTMENTS

Munich Re London chief

■ MUNICH REINSURANCE COMPANY has appointed Mr Clemens von Bechtolsheim, deputy general manager, as the successor to Mr Ulrich von Eicken, managing director and general manager, who is retiring on June 30.

■ Mr Errol P. Cossey, chief executive of AIR 2000, has been appointed a director of the company.

■ Mr Simon Palley has joined BARING CAPITAL as an associate director and principal in London. He was previously with Bankers Trust in London.

■ LONDON LAW AGENCY has appointed Ms Barbara Kelly a director.

■ The BANK OF EAST ASIA has opened a branch in London, 75 Shaftesbury Avenue, and has appointed Mr Douglas Chow as general manager and Mr Ivan Powell as deputy general manager.

■ Mr David Ivtsan has been appointed managing director of REX CENTRE BIRMINGHAM.

■ Microcomputer manufacturer, Walters International and networking systems specialist, Keen Networks, have been restructured to form the integrated systems division of WILLAIRE ELECTRONICS. Mr Mark Plant, formerly of Micosoft, has been appointed sales and marketing director of the new division.

■ Mr Garry Thorne (above) will become the new managing director of the INTERNATIONAL HERALD TRIBUNE in London on June 4. Ms Penny Lowe, IHT's advertising sales director in the UK, will become commercial director of the paper's London subsidiary, IHT Ltd.

■ HERONFREIGHT, the distribution division of Heron International, has promoted Mr Gordon Ridge from fleet engineer to director of fleet management and purchasing.

■ Mr Nicholas Wheeler has been appointed deputy managing director of both HADRIAN TRUSTEES and SOLWAY PENSIONS. He was director in charge at Citibank Financial Consultants, a part of Citicorp. Ms Molly McManus has joined the Hadrian board as systems director and in the autumn Ms Laura McLachlan, projects director, will return to Hadrian's office in Newcastle upon Tyne.

■ Mr John Tass has become sales and marketing director of CLAYBROOK COMPUTING.

■ PROLIFIC ASSET MANAGEMENT has appointed Mr Warren Colman and Mr Martin Harrison as board directors, and Mr Michael Bourne and Ms Caroline Robinson as associate directors.

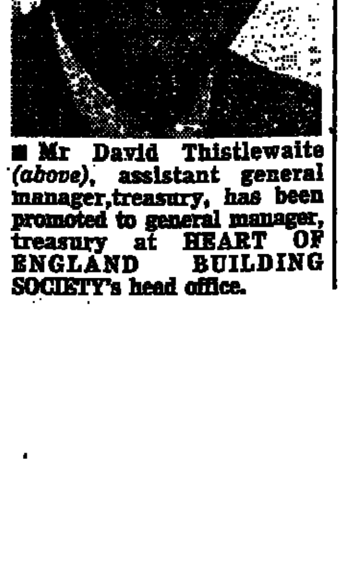
At PROLIFIC UNIT TRUST MANAGERS, Mr Andrew Brunner, Ms Sheenagh Gordon, Mr Tom Hardie and Mr Jon Thornton have joined the board. Mr Philip Higgs becomes associate director, investment liaison and Mr Polli Kaminski, associate director, marketing.

■ Mr Roger Salmon has been appointed to the board of OCS GROUP, the property maintenance organisation. He is also managing director of the Smarts Laundry Group, a wholly-owned group subsidiary.

■ Mr Colin Grimsey, the Europe/Middle East business executive for CHASE MANHATTAN's global securities business, has been promoted to managing director-global custody. Succeeding Mr Grimsey is Mr Richard Crampton, who has been serving as the region's sales and marketing executive.

■ Mr Steve Smith has been appointed a director of MOWLEM SOUTHERN CIVIL ENGINEERING.

■ HANSON has appointed the following as associate directors: Mr George H. Hempstead, Mr Kenneth J. Ludlam, Mr Ross A.N. Chiese, Mr Anthony Branson, Mr William M. Landuyt and Mr Paul Spencer.



■ Mr David Thistlewaite (above), assistant general manager, treasury, has been promoted to general manager, treasury at HEART OF ENGLAND BUILDING SOCIETY's head office.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.29	[illegible]
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.08	[illegible]
[illegible]	[illegible]	Treas. 10pc Cv 1990	[illegible]	[illegible]	10.19	[illegible]
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.60	[illegible]
[illegible]	[illegible]	Treas 11½pc 1991	[illegible]	[illegible]	11.94	[illegible]
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.04	[illegible]
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.20	[illegible]
[illegible]	[illegible]	Treas. 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.36	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.39	[illegible]
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.61	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.83	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.49	[illegible]
[illegible]	[illegible]	Treas. 8¾pc 1992 ‡‡	[illegible]	[illegible]	8.70	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.95	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.49	[illegible]
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.39	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.32	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	9.13	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.60	[illegible]
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	12.48	[illegible]
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	[illegible]	7.05	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	13.25	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.57	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	13.58	[illegible]
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	13.04	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21¾	14¼	Chase Manhattan $12½	15⅛xd		$2.36	–	9.3
19¾	14	Chem. Banking Corpn	13¾	+¼	$2.72	–	10.3
12½	9¼	Chrysler $6¼	9⅜xd	−⅛	$1.20	–	7.5
18¾	12⅛	Citicorp $1	14⅛xd	−⅛	$1.78	–	7.6
39⅞	31¼	Colgate-Palmolive $1	36½	+⅛	$1.48	–	2.4

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
309	209	ANZ SA1	289	–7	44c	1.4	9.5	7.5
201	172	Abbey National 10p	195	+1½	5.7	4.3	3.9	7.9
274	210	Allied Irish Ord.	221xr		Q40%	♦	4.3	♦
£13½	£11¼	Algemene Fl.10	£12½	–⅛	Q28%	2.1	7.6	6.2
85	73	Anglo Irish	75		018.7%	2.7	5.9	10.2
81	68	Ansbacher (H.) 1p	73		2.5	1.3	4.6	21.0
£71½	£54½	Bancaire Cie Fr100	£68¾	–⅝	012¼%	–	2.0	–
£22¾	£16⅝	Banco Bilbao Viz.	£19		099.1%	2.7	4.4	12.3
£31	£24½	Banco de Santander	£27½	–1½	Q25%	2.4	4.1	10.1
286	224	Bank Ireland Ir£1	234	–1	Q14.3%	♦	5.9	♦
£19½	£18	Bank Leumi	£19½		–	–	–	–
350	320	Bank Leumi (U.K.)	345		†13.5	–	5.2	–
125	104	Bank Scotland	116	+1	4.55	3.3	5.2	7.7
100¼	83¼	Do. 9¼pc Irrd Pf.	92	+½	9¼%	–	13.4	–
54	39	Bank of Wales	39		2.8	0.8	9.6	(18.7)
599	493	Barclays £1	558	+3	27.4	3.5	6.6	5.4
22	14	Beechmark 20p	14		1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	320		†10.5	–	4.4	–
455	361	Cater Allen £1	378	+1	23.5	–	8.3	–
179	137	Chancery	139	+2	8.0	2.8	7.7	6.1
£23¼	£19⅞	Commerzbk DM10	£20½	–⅜	Q18%	–	3.3	–
£13⅛	842	Dai Ichi KBk Y50	928	–2	Q16%	8.8	0.3	35.5
£313⅛	£262¼	Deutsche Bk DM50	£271½	–6½	Q28%	–	1.8	–
£20¾	£19	Espirito Santo	£19¼	–⅛	Q75c	3.3	2.3	13.2
253	183	First Nat. Fin. 10p	208	+2	13.0	2.4	8.3	6.4
121	96	FNFC 6.3pc Cr. Pf.	180	+1	6.3%	–	8.4	–
262	159	Fuji Bank Y50	175	–6	Q16%	4.2	0.3	78.0
325	262	Gerrard & National	293	+6	18.5	–	8.4	–
[illegible]								

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

BUILDING, TIMBER, ROADS – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

CHEMICALS, PLASTICS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

DRAPERY AND STORES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

ELECTRICALS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

ELECTRICALS – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

ENGINEERING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

ENGINEERING – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

FOOD, GROCERIES, ETC

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

HOTELS AND CATERERS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

INDUSTRIALS (Miscel.)

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

INDUSTRIALS (Miscel.) – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

INSURANCES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

LEISURE

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

MOTORS, AIRCRAFT TRADES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Commercial Vehicles

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

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MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
25	17	Pennant Grp. 2p... α	24	+2	ϕ0.2	–	1.1	–
79	61	Poddington 5p...... γ	75	......	–	–	–	–
118	65	Ramsden's (Harry). γ	73	......	14.5	ϕ	8.2	ϕ
60	38	Bentaminster 5p... γ	38	......	ta1.85	2.8	‡	7.5
14	11	Scott Pickford 10p...γ	12	......	d0.38	3.8	4.2	8.1
38	19	Sempernova.......... γ	19	......	–	–	–	4.2
36	24	Sleepy Kids 5p...... γ	30	–1	–	–	–	–
2¾	1½	Swanyard Studios 1p γ	1¾	......	–	–	–	8.4
93	63	Tomorrows Leisure 20p γ	63	......	–	–	–	24.0
55	35	UPL Group 10p...... γ	39	......	‡2.75	1.9	‡	7.4
177	128	Unit Group........... γ	177	......	5.0	3.3	3.8	10.1
89	59	Video Magic Leis. 1p γ	60	+1	W2.0	0.7	4.4	48.1
5¼	3¼	Vista Ents 5p........ γ	3¼	......	–	–	–	–
18	13	Vizcaya Hldgs 5p.. γ	13	......	–	–	–	–
43½	25	Whitegate Leisure 20p. γ	25	–½	0.25	1.7	1.3	53.5
29	9	Do. Wrrats........... γ	9	......	–	–	–	–
5½	3¼	Wilton Group 1p... γ	3¼	–¼	–	–	–	ϕ

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1... γ	838	......
Finlay Pkg. 5p.... γ	53xd	......
Holt (Jos) 25p..... γ	1290xd	......

IRISH

Cap. 8½% Ln. 1991...	£98	......
9pc Cap Ln. 1996...	£94½	......
Fin. 13% 97/02...	£112	......
Arnotts..............	418xd	......
Carrol (P.J.)....... γ	147	......
Hall (R. & H.).......	175	......
Helton Hldgs....... γ	75	+2½
IAG...................	280	......
United Drug.........	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	98
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	48
Courtaulds	24
Eurotunnel	68
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	58
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	28
Sears	9½
SmKl Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Lonrho	28
RTZ	45

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	50.77	50.77	54.29	-0.22	5.05
Gilts & Fixed Int	6	105.6	105.6	112.0	+0.7	9.82
High Inc Equity	6	129.2	132.7xd	141.1	-1.0	4.50
Worldwide Bond	6	190.9	190.9xd	202.3	-0.3	6.38
Capital Growth						
American Growth	6	188.6	190.3	202.4	+0.1	1.15
Asian Pacific	6	139.3	142.4	151.4	+2.2	0.00
Assets & Earnings	6	150.9	150.9	161.3	-0.8	3.01
Capital Reserve Acc	0	92.15	92.15	92.28	+0.35	6.50
Capital Reserve Inc	0	77.45	77.45	77.56	+0.29	7.74
Comdty & Energy	6	94.45	94.45	101.0	-0.8	0.00
Dividend & Growth	6	45.23	46.24	49.19	....	4.57
1992 Enterprise	6	62.29	62.59	66.58	-0.20	2.01
Euro Capital Acc	6	104.9	104.9	112.1	+0.1	0.85
Euro Capital Inc	6	100.8	100.8xd	107.8	+0.3	0.88
General	6	169.6	169.6	181.3	-1.2	2.76
International	6	59.60	60.29	64.13	-0.02	0.78
Japan	6	98.94	98.94	105.8	-0.9	0.00
Mastertrust	6	89.07	89.07	95.48	-0.08	1.56
UK Growth Acc	6	168.8	168.8	180.5	-0.3	1.80
UK Growth Dist	6	110.2	110.2xd	117.8	-0.3	2.75
US Emerging Cos	6	57.26	57.26	61.24	+0.27	0.00
Income & Growth	6	288.9	288.9xd	308.9	-1.7	3.32
Ethical	6	46.30	46.30	49.51	-0.21	2.02
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	32.09	32.09xd	34.25	-0.09	2.19
European	5¼	93.28	93.44	99.75	-1.55	0.00
European Income	5¼	88.87	88.87xd	94.83	-1.14	1.45
Exempt	1	736.4	736.4xd	799.7	-1.80	1.33
Exempt Income	3¼	171.3	171.3	181.7	-1.10	4.79
Exempt American	3¼	382.4	382.4xd	400.8	-0.50	1.49
Exempt Pacific	3¼	260.7	260.7	273.5	+0.60	0.00
Extra Income	5¼	41.18	41.18	43.96	-0.25	5.80

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd—Contd.						
North American	6	63.43	63.43	67.35	-0.18	0.38
Orient ‡	6	117.8	118.9xd	127.0	-0.40	—
Recovery	6	44.66	44.66xd	47.56	-0.23	3.80
Smaller Cos Acc	6	233.8	233.8xd	250.2	......	—
Smaller Cos Inc	6	143.2	143.2xd	153.2	......	1.26
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	179.0	179.0xd	185.6	......	5.24
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	56.84	56.84	60.25	-0.31	3.15
(Accum Units)	5¼	58.86	58.86	62.39	-0.32	3.15
Fellowship Tst	5¼	62.05	62.74	66.75	+0.41	2.77
(Accum Units)	5¼	64.87	65.59	69.78	+0.42	2.77
General Inc	5¼	283.7	283.7	305.8	-1.5	3.63
(Accum Units)	5¼	486.1	486.1	524.0	-2.5	3.63
Income	5¼	150.7	153.4	162.8	-0.5	4.50
(Accum Units)	5¼	305.9	311.4	330.4	-1.0	4.50
International	5¼	106.7	106.7	113.1	-1.1	1.00
(Accum Units)	5¼	147.6	147.6	156.5	-1.3	1.00
Smaller Co's	5¼	94.09	95.88	102.0	+0.2	2.11
(Accum Units)	5¼	104.3	106.4	113.2	+0.3	2.11
Inv Portfolio	3	53.07	53.07	54.93	-0.13	2.99
(Accum Units)	3	55.63	55.63	57.58	-0.14	2.99
High Income Port	3	44.17	44.86	46.49	-0.03	4.76
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.06	56.06	56.87	+0.06	6.98
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqty	5½	46.52	47.30	50.32	-0.20	5.5
CCF Sel Intl Gwth	5½	47.69	47.69	51.32	-0.28	1.46
CCF Sel Inv Tst	5½	46.24	47.46	50.49	+0.04	2.0
CCF Sel UK Sm Co's	5½	44.28	45.62	48.54	+0.06	1.00
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5½	53.78	54.88	58.38	......	2.86
Global Tst	5½	46.41	46.91	49.90	-0.17	0.35
Recovery Tst	5½	44.97	46.22	49.16	-0.11	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071 234 6000						
Growth Fd Acc	5	113.2	114.5xd	120.8	-0.30	5.30

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Glenfriars Unit Tst Mngrs Ltd (0905)F						
14 Old Park Lane, London W1Y 3LH 071-491 1357						
Private Portfolio	2	287.9	287.9	300.2	......	2.33
Inv Opportunities	2	103.5	103.5xd	110.5	......	2.72
Higher Income	2	120.0	120.0xd	125.6	......	6.67
Global Asset Management (1200)F						
GAM Sterling Management Ltd						
12 St James's Place, London SW1 071-493 9990						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Bk Unit Tst Mgrs Ltd (1000)F						
PO Box 63, Chatham, Kent ME4 4YB						
Dealing 0634 834313						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Unit Trusts Ltd (1200)F						
192 Eyre Street, Sheffield, S1 3RD 0742 529888						
British Tst	6	59.90	60.34	64.54	-0.45	3.47
(Accum Units)	6	62.29	62.76	67.12	-0.46	3.47
Capital	6	105.8	105.8	113.2	-0.7	2.56
(Accum Units)	6	154.2	154.2	164.9	-1.1	2.56
European Growth	6	163.1	163.1xd	173.7	-2.5	0.67
(Accum Units)	6	201.1	201.1	214.2	-3.1	0.67
Extra High Inc	6	63.01	64.35	68.82	-0.19	7.66
(Accum Units)	6	90.17	92.09	98.49	-0.28	7.66
Gilt & Fxd Int	4	46.98	46.98	49.03	-0.28	10.19
(Accum Units)	4	100.1	100.1	104.4	-0.6	10.19
High Yield	6	189.4	192.6xd	206.0	-0.6	5.95
(Accum Units)	6	384.0	390.5	417.7	-1.3	5.95
Income	6	231.8	234.8	251.1	-1.9	4.89
(Accum Units)	6	426.8	432.3	462.4	-1.9	4.89

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Phillips & Drew Unit Managers Ltd (1400)F						
14 Finsbury Square, London EC2A 1PD 071-628 6070						
Charities Fxd Int May 16	¼	87.90	87.90	88.25	—	10.9
Charities Intl Eq May 16	¼	97.02	97.02	97.47	—	2.6
UK Exempt May 17	¼	101.7	101.7	104.0	—	5.6
Charities Intl May 18	¼	122.3	122.3	124.1	—	2.6

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Timberlake Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
Portfolio	2	97.69	97.69	100.53	+0.59	1.17
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Hiswards						
TR American Gwth	5¼	48.33	48.33	51.55	+0.35	0
TR Eur Sp Sits Acc	5¼	46.11	46.11	49.02	-0.52	0
TR Eur Sp Sits Inc	5¼	45.21	45.21	48.06	-0.51	0
TR Far East Opps Inc	5¼	23.57	23.72	25.24	+0.24	–
TR Far East Opps Acc	5¼	23.57	23.72	25.24	+0.24	–
TR General Growth	5¼	74.85	74.85	79.62	+0.36	2.57
TR Global Tech	5¼	76.04	76.04xd	81.1	+0.05	0
TR Income Growth	5¼	85.61	85.61	91.07	+0.23	4.39
TR Income Monthly	5¼	50.79	50.79	54.03	+0.02	7.51
TR Japan Growth	5¼	83.74	83.74	88.99	-0.06	0
TR Overseas Growth	5¼	67.82	67.82xd	72.27	-0.04	0
TR Smaller Cos	5¼	73.35	73.35	78.03	+0.13	2.47
TR Special Ops	5¼	83.02	83.02	88.31	-0.21	3.41
TR Mgd Eq Plan Acc	5¼	35.24	35.24	37.48	+0.08	2.64
TR Mgd Eq Plan Inc	5¼	33.05	33.05	35.15	+0.08	2.64
TR Worldw Sp Sit Acc	5¼	38.71	38.71	41.24	+0.27	0
TR Worldw Sp Sit Inc	5¼	38.67	38.67	41.2	+0.27	0
TR Pension Portfolio						
TR American Gwth ‡	6	28.8	29.19	30.94	+0.11	0
TR Eur Sp Sits ‡	6	36.67	37.05	39.28	-0.38	0
TR General Growth ‡	6	24.68	24.94	26.44	-0.1	0
TR Global Tech ‡	6	29.72	30.11	31.92	-0.17	0
TR Income Growth ‡	6	24.82	25.08	26.59	-0.15	0
TR Japan Growth ‡	6	26.2	26.43	28.01	-0.25	0
TR Mgd Equity ‡	6	26.99	27.17	28.8	-0.17	0
TR Overseas Growth ‡	6	29.05	29.4	31.17	-0.06	0
TR Smaller Cos ‡	6	17.22	17.5	18.54	+0.04	0
TR Special Ops ‡	6	17.08	17.26	18.29	-0.06	0
TR Stlg Liquidity ‡	6	26.19	26.65	27.76	+0.16	0
TR Worldw Sp Sits ‡	6	31.31	31.74	33.65	+0.11	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	242.8	248.4	261.4	-1.2	3.31
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	166.4	169.1xd	179.9	-5.9	3.21

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or –	Yield Gross
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS				0603 683986
NUAM Funds				
Managed Fund	65.8	69.3	–0.2	–
Stock Market Mngd Fund	64.6	68.0	–0.2	–
Equity Fund	68.5	72.1	–0.2	–
International Fund	62.3	65.6	–0.4	–
European Fund	74.9	78.8	–1.1	–
North American Fund	60.6	63.8	+0.1	–
Pacific Fund	65.0	68.4	+0.1	–
Property Fund	87.1	91.7	....	–
Fixed Interest Fund	50.3	52.9	+0.3	–
Index Linked Sec Fund	58.0	61.1	+0.2	–
Deposit Fund	62.7	66.1	+0.1	–
NUAM Retirement Plans				
Mixed Fund	71.0	74.7	–0.3	–
UK Ordinary Share Fd.	78.9	83.0	–0.3	–
International Fund	66.1	69.6	–0.4	–
Property Fund	84.9	89.4	+0.1	–
Fixed Interest Fund	59.1	62.2	+0.4	–
Index Linked Sec Fund	60.9	64.2	+0.2	–
Deposit Fund	71.8	75.6	+0.1	–
NUAM Gl(F)				
Managed Fund	925.9	974.7	–3.0	–
Equity Fund	1869.4	1967.8	–7.3	–
International Fund	164.3	173.0	–1.0	–
Property Fund	550.8	579.8	+0.3	–
Fixed Interest Fund	376.4	396.3	+2.4	–
Index Linked Sec Fund	59.0	62.2	+0.3	–
Deposit Fund	257.9	271.5	+0.3	–

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or –	Yield Gross
Lazard Fund Managers—Contd.				
Lazard Global Equity	$28.08	29.87	.....	–
Lazard Int Inc $ (Inc)	[illegible]	[illegible]	+0.90	8.60
Lazard Int $ Inc (Acc)	[illegible]	[illegible]	+2.01	–
Lazard Int Inc £ (Inc)	£8.79	9.15	+0.17	12.0
Lazard Int Inc £ (Acc)	£10.94	11.55	+0.27	–
Lazard Japan Fund	[illegible]	53.20	[illegible]	–
Lazard Nth Am	$20.83	22.17		–
Lazard Sel Port £ Cap	£13.80	14.91	+0.29	–
Lazard Sel Port £ Inc	£8.61	9.11	-0.58	13.59
Lazard Sel Port $ Cap	$13.64	14.71	+0.48	–
Lazard Sel Port $ Inc	$8.41	8.89	-0.14	8.27
Merrill Lynch Int Capital Mngt (GSY) Ltd				
Bangkok Fd NAV May 16	$80.48		.....	–
India Fd NAV May 17	£2.1450		.....	–
[illegible] NAV May 16	$11.49		.....	–
Euro Spain NAV May 17	$10.45		.....	–
Iberia Portfolio NAV	$12.01		.....	–
(For information only)				
NM Financial Mngt Intl Ltd				
Mngd. Currency	£6.227	6.544	-0.015	6.42
NM Portfolio Selection Fund Ltd				
Commodity	£1.015	1.079	-0.020	1.42
Far East Gwth	£1.346	1.430	-0.004	0.00
Smaller Co's	£0.902	0.959	-0.005	1.22
Special Sits	£0.937	0.996	+0.010	0.80
Intl Bond	£0.876	0.931	-0.003	8.02
American Fund	£2.055	2.184	+0.005	2.11
American Smaller Cos	£1.272	1.353	+0.007	0.00
Australian Fund	£1.482	1.576	-0.007	1.96
British Fund	£1.538	1.636	-0.008	5.94
European Fund	£2.379	2.530	-0.024	0.83
Gold Fund	£0.681	0.724	+0.008	0.00
Hong Kong Fund	£1.758	1.870	+0.009	4.08
International Fund	£1.382	1.470	-0.010	0.34
Japanese Fund	£2.664	2.833	-0.028	0.00
Japan Smaller Cos	£5.168	5.497	-0.027	0.00
Singapore & Malaysian	£1.592	1.693	+0.020	0.00
Dollar Fixed Interest	$0.960	1.021	-0.002	9.13
Sterling Fixed Int	£0.840	0.893	+0.005	11.72
Deutschemark Currency		DM4.981		2.36
Dollar Currency		$0.984	-0.001	4.91
Sterling Currency		£0.989		10.48
Yen Currency		Y198.4	.....	2.40
Managed Currency	£0.939	0.998	-0.005	6.94
The New Zealand Fund				

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or –	Yield Gr's
John Govett—Contd.						
Dollar Cash	5	$9.41	9.41	9.45	.....	8.5
European Bond	5	[illegible]	12.56	12.60	[illegible]	7.0
Dollar Bond	5	$9.49	9.49	9.53	[illegible]	8.0
Government Bond	5	$10.01	10.01	10.05	-0.01	8.0
Sterling Cash	5	£4.86	4.86	4.88	+0.01	13.0
Japanese Equity	5½	Y1,483	1,483	1,496	-3.00	0.0
Far East Equity	5½	$12.94	12.94	13.08	+0.22	1.0
US Equity	5½	$12.25	12.25	12.36	+0.01	1.0
European Equity	5½	[illegible]	16.56	16.72	+0.05	2.0
UK High Income	5	£4.36	4.36	4.38	+0.02	12.0
UK Equity General	5½	£4.67	4.67	4.72	-0.02	3.0
Initial charge may alter for sales in other jurisdictions						
Hill Samuel Fund Mgrs (Jey) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey. 0534 76029						
Stlg Fixed Int	3½	£1.064	1.064	1.129	[illegible]	10.49
Global Equity Fund	5½	$15.10	15.10	16.15	-0.07	0.75
European Equity	5½	[illegible]	20.32	21.73	-0.01	0.28
Intnl. Fixed Fund						
Sterling Managed	5½	£10.30	10.30	10.97	-0.01	9.45
US Dollar Managed	5½	$12.82	12.82	13.69	+0.01	6.92
International Currency Fund						
Sterling Managed	5½	£25.61	25.61	27.10	-0.01	–
US Dollar Managed	5½	$27.87	27.87	29.49	+0.01	–
Sterling ♦	0	£21.95	21.95	21.95	+0.03	14.57
US Dollar ♦	0	$35.73	35.73	35.73	+0.02	7.01
Deutschemark ♦	0	DM55.87	55.87	55.87	+0.04	6.95
Japanese Yen ♦	0	Y4,573	4,573	4,573	+2	5.10
Swiss Franc ♦	0	SF43.64	43.64	43.64	+0.02	7.71
Irish Punts ♦	0	I£20.53	20.53	20.53	+0.01	8.29
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	[illegible]	8.867	9.099	[illegible]	12.31
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37766						
Intl Growth Portfolio	5	$102.63	102.65	108.85	-0.07	–
ML Bk Offshore Gilt		[illegible]	88.64	92.30	+0.67	13.15
MIM Britannia International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (2)	5¼	[illegible]	0.1562	0.1646	[illegible]	9.72
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	[illegible]	53.82	56.21	+0.57	11.54

	Bid Price	Offer Price	+ or –	Yield Gross
McDonnell & Co—Contd.				
McD Bridgewater Fd	$7.44	7.81	.....	–
McD US Equity	$9.73	10.22	.....	–
McD Sabre Gtd Ltd Fd	$9.14	9.60	.....	–
McD Forex Fd	$10.24	10.75	.....	–
McD US Govt Secs Fd	$10.19	10.54	.....	–
Magnum Fund Mngmt (Bermuda) Ltd				
Magnum Futures Fund				
Sterling Class		£4.74	.....	–
US Dollar Class		$9.13	.....	–
DM Class		DM20.25	.....	–
Malacca Fund (Cayman) Limited				
NAV May 16		$16.93	.....	–
Malaysia Capital Fund Ltd				

	Bid Price	Offer Price	+ or –	Yield Gross
Union-Investment-Gesellschaft GmbH				
Unifonds	DM37.38	39.30	-0.70	–
Unirak	DM77.62	81.50	+0.55	–
Unirenta	DM34.75	35.80	.....	–
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 98:10 Trust (Slam)				
Dollar Fd BOPUPs	$10.19	10.20	.....	–
Dollar Fd OPUPs	$10.52	10.59	.....	–
Sterling Fd BOPUPs	£10.13	10.14	.....	–
Sterling Fd OPUPs	£11.49	11.57	.....	–
DM Fd BOPUPs	DM9.99	10.00	.....	–
DM Fd OPUPs	DM9.95	10.02	.....	–
Yen Fd BOPUPs	$7.67	7.68	.....	–
Yen Fd OPUPs	$10.42	10.49	.....	–
Wardley Investment Services Ltd				

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (UNCLASSIFIED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
£10,000–£24,999	13.59	10.60	14.71	Qtr
£2,500–£9,999	12.50	9.75	13.49	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 766966				
H.I.B.A.	13.25	10.34	14.32	Daily
Sterling Bank & Trust Ltd				
Abbey Gdns, 6 Abbey St, Reading RG1 3BA 0734 592543				
HIDA £2,500+	13.70	10.69	14.43	6-Mth
TSB Bank plc (England & Wales)				
100 Lower Thames St, London EC3R 6AQ 071-623 6000				
HICA £1–£499	7.00	5.50	7.33	Yearly
£500–£1,999	9.50	7.50	10.00	Yearly
£2,000–£9,999	11.50	9.00	12.00	Yearly
£10,000–£24,999	11.75	9.30	12.40	Yearly
£25,000+	12.25	9.60	12.80	Yearly
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc	13.87	10.82	15.02	Qtr
HIMA	13.75	10.73	14.93	Qtr
HIMA £100,000+	14.00	10.92	15.22	Qtr
Client Plus Acc	13.37	10.43	14.46	Qtr
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc	13.75	10.73	15.02	Mth
£10,000 and above	14.00	10.92	15.31	Mth
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE 0752 224141				
£25,000+	14.50	11.31	15.73	Qtr
£5,000–£24,999	14.25	11.12	15.45	Qtr
£1,000–£4,999	14.00	10.92	15.17	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE 071-606 9485				
High Int Cheque Acc	14.50	11.31	15.73	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ☐ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Another step towards union

EUROPEAN MONETARY union appears to be moving closer to fruition as the UK takes a more positive view of full British membership of the European Monetary System and Belgium considers linking the Belgian franc more closely to the D-Mark.

The pound rose above DM2.80 yesterday as speculation continued that Britain will soon join the Exchange Rate Mechanism of the EMS, while officials in Brussels indicated that the Belgian Government is considering pegging the franc very closely to the D-Mark, keeping the currency well within its formal 2¼ per cent EMS fluctuation margin.

Any move by Belgium would effectively bind the Luxembourg franc to the same regime, because of the currency union between the two countries. Dealers said that Belgium is attempting to gain similar benefits to the Netherlands, where the guilder is already held within a very narrow band against the D-Mark, and hopes at the same time to lower interest rates.

It was also suggested that such a move would, in practice, create a D-Mark dominated zone throughout the Benelux countries, showing that a core of countries within the European Community are ready to make rapid progress towards monetary union.

The opposition Labour Party in the UK favours membership of the ERM and UK press comment at the weekend suggested that the ruling Conservative Party intends to spike Labour's guns by taking the pound into the ERM well before the next general election. Nevertheless, this still leaves open the question of the British Government's attitude towards full monetary union among EC members.

Sterling closed towards its highest level of the day against the D-Mark in London, rising to DM2.8125 from DM2.7850. The pound also climbed to FFr9.4775 from FFr9.3900, to SFr2.4050 from SFr2.3750 and to Y259.50 from Y258.50. In terms of the dollar sterling was little changed at $1.6910, compared with $1.6905 on Friday. On Bank of England figures the pound's index rose 0.5 to 88.7.

The Italian lira continued to hover around its maximum divergence limit within the EMS, despite a cut in the Bank of Italy's discount rate at the weekend. At the Milan fixing the French franc improved slightly to L218.18, rising above the lowest permitted EMS level of L218.13 fixed on Friday. In London the franc closed a little firmer at L218.20, but the D-Mark eased to L735.20 from L735.45.

The dollar had a firm tone, closing in London at a strong resistance level against the D-Mark, rising to DM1.6635 from DM1.6480. There were no new factors, but short covering helped push the dollar up against the Japanese yen to Y153.50 from Y152.90. The US currency also improved to SFr1.4225 from SFr1.4045 and to FFr5.6050 from FFr5.5550. According to the Bank of England the dollar's index rose to 67.3 from 67.1.

£ IN NEW YORK

May 21	Latest	Previous Close
£ Spot	1.6890-1.6900	1.6895-1.6905
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 21	Previous
8.30 am	88.6	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	88.7	[illegible]

CURRENCY RATES

May 21	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

† European Commission Calculations.
* All SDR rates are for May 18

CURRENCY MOVEMENTS

May 21	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for May 18

OTHER CURRENCIES

May 21	£	$
[illegible]	[illegible]	[illegible]
Saudi Ar.	6.3395-6.3445	3.7500-3.7510
Singapore	3.1320-3.1390	1.8525-1.8545
S. Af (Cm)	4.4590-4.4700	2.6380-2.6395
S. Af (Fn)	6.6100-6.7410	3.9065-3.9840
Taiwan	46.45-46.55	27.45-27.50
U.A.E.	6.2065-6.2135	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

May 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9¼-9⅛ per cent; four years 9⅜-9¼ per cent; five years 9⅜-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May 21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.484	0.818	1.360	125.5	4.583	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.502	0.848	1.411	130.2	4.756	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.727	2.921	4.858	448.2	16.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX; ECU-STERLING

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); PHILADELPHIA SE £/$ OPTIONS; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX; 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates fall

THE IMPORTANT three-month sterling interbank rate fell below the level of bank base rates yesterday, while short sterling futures on Liffe remained at levels pointing towards lower interest rates. Speculation about full British membership of the EMS underpinned sentiment. Three-month interbank fell to 14⅞-14¾ per cent from 15⅛-15, with one-year money declining to 14$\frac{13}{16}$-14$\frac{11}{16}$ per cent from 15$\frac{1}{16}$-14$\frac{15}{16}$.

UK clearing bank base lending rate 15 per cent from October 5

September short sterling opened at 85.48, well above the level of around 85.30 justified by 15 per cent base rates. The contract continued to rise, in quite active trading to a peak of 85.62, before closing at 85.59 compared with 85.39 on Friday.

Sterling is a high yielding currency, and hopes that full EMS membership will result in lower UK rates have been boosted by another EMS currency supported by high rates: the Italian lira. The Bank of Italy cut its discount rate by 1 per cent to 12½ per cent at the weekend in an attempt to stop the lira hitting its cross rate ceiling.

Credit was in fairly short supply on the London money market. The Bank of England forecast a day-to-day shortage of £500m and provided total help of £516m.

Before lunch the authorities bought £274m bank bills outright in band 1 at 14⅞ per cent. In the afternoon another £142m bank bills were purchased in band 2 at 14⅞ per cent. Late assistance of around £100m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,139m, with the unwinding of bill repurchase agreements absorbing £484m, and bank balances below target £125m. These outweighed Exchequer transactions adding £665m to liquidity and a fall in the note circulation of £580m.

In Frankfurt call money firmed to 7.95 from 7.85 per cent, as tax payments drained liquidity from the banking system. The Bundesbank is expected to add funds at this week's securities repurchase agreement tender to offset the tax situation and DM10.3bn expiring on Wednesday, via an earlier repurchase pact.

Last Thursday banks reserve holdings at the Bundesbank fell to DM59.3bn from DM65.2bn, to average DM58.5bn for the first 17 days of May. The average requirement for the whole month is expected to be in the region of DM58bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 21)	3 months US dollars		6 months US Dollars	
	bid 8⅜	offer 8½	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime		One month	[illegible]
Prime rate	10	Two month	[illegible]
Broker loan rate	[illegible]	Three month	[illegible]
Fed. funds	[illegible]	Six month	[illegible]
Fed. funds at intervention	[illegible]	One year	[illegible]

May 21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. [illegible] Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate [illegible] from May 1, 1990. Bank Deposit Rates for sums at seven days notice [illegible] per cent. Certificates of Tax Deposit (Series 6): [illegible]

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FTSE 100		WALL STREET	
May. 2297/2307	+19	June. 2830/2842	+14
Jun. 2315/2325	+19	Jul. 2846/2858	+14

5pm Prices. Change from previous 9pm close

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[illegible]

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[illegible]

JOTTER PAD

CROSSWORD

No.7,244 Set by HIGHLANDER

ACROSS

1 Armed robber is born with it (6)
4 Tramp pays by the book (8)
9 Used, and not completely guaranteed (6)
10 A Frenchman and wife separate (8)
12 High priest has spoken: charter a boat (8)
13 New-look navy (6)
15 Some wince at single fare (4)
16 Fruit plant incorporates label showing harvesting time (7)
20 Brown follows boats en windlass (7)
21 Cereal wilt – nothing appears (4)
25 Game in confused and perplexing situation (6)
26 Bear on a road for example (8)
28 Determined to bring an end to epidemic (8)
29 Catch it with a glass (6)
30 First to follow last competitor in ultimate stage (8)
31 Please replace the wood: South American football star may be asleep (6)

DOWN

1 Bulb in border withered and shrivelled (8)
2 Feel sick with unease at modifications (8)
3 Thick glacial mass with treacherous surface on top.... (6)
4 .... has scattering of snow (4)
6 Painstakingly careful of gold inside nonetheless (8)
7 A rider shown the way round fell (6)
8 Places for putting vegetables (6)
11 Decline in English crops reported (7)
14 Secrecy: the last resort (7)
17 Something soothing spoken at royal residence (8)
18 He lives off others in a location which is sub-standard (8)
19 Fresh-air, thick-set type (4,4)
22 Spare exploded (3,3)
23 Makes one left over pay attention (6)
24 An attempt by artist to reproduce soft hair (6)
27 Go beyond official authorisation (4)

Solution to Puzzle No.7,243

CHAIRMEN STRATA; EMPHASIS PREACH; LANDLORD LAWYER; STATIONERY; INTERLOPER; PIPING IGNORANT; TRAGIC CHILDREN; DREARY ENTRANCE

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices May 18

[illegible]

31749 WIC B f	$11¼	11⅛	11¼	+ ⅛
2000 Weldwood	$16½	16½	16½	− ⅛
2040 Wst Fraser	$19¼	19	19	
341447 Wcoast E	$21⅝	21¼	21½	− ⅛
1376 Westmin	$7½	7½	7½	+ ⅛
4580 Weston	$39½	39½	39½	− ⅛
4819 Woodwd A	150	140	140	

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices May 18

2628 BombrdrA	$17⅜	17⅛	17⅜	+ ⅛
51240 BombrdrB	$17⅜	17⅛	17⅜	+ ⅛
28550 Cambior	$14⅝	13¾	14⅝	+ ½
8508 Cascades	410	405	406	
16276 DomTxtA	$11⅞	11½	11⅞	− ⅛
3000 Donohue	$10¾	10½	10¾	+ ½
1803 Memotec	$08⅞	08⅞	08⅞	− ⅛
73590 NatBk Cda	$09	08⅞	09	
26775 Noverco	$14¾	14½	14⅝	+ ⅛
36260 Power Corp	$15⅜	15⅛	15¼	+ ⅛
5676 Provigo	$09⅞	08⅝	09¾	+ ⅛
650 Quebecr A	$12¾	12½	12½	− ⅛
3250 Quebecr B	$14½	14½	14½	− ⅛
7400 Videotron	$11⅝	11⅝	11½	− ⅛

Total Sales 4,580,860 shares.

INDICES

NEW YORK

DOW JONES	May 21	May 18	May 17	May 16	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	2844.68	2819.91	2831.71	2819.68	2844.68 (21/5)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	89.95	90.04	89.96	90.09	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1180.83	1177.28	1171.94	1174.08	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.22	214.73	215.29	217.05	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 2859.72 (2838.43) Low 2802.08 (2804.63)

STANDARD AND POOR'S	May 21	May 18	May 17	May 16	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	358.00	354.64	354.47	354.00	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	417.23	412.75	412.44	411.52	417.23 (21/5)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	29.50	29.24	29.25	29.20	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.28	193.55	193.49	193.14	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.36	356.32	354.94	353.68	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	452.89	448.31	445.74	442.93	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 18	May 11	May 4	year ago (approx.)
Dow Industrial Div. Yield	3.99	3.93	4.05	3.35

	May 16	May 9	May 2	year ago (approx.)
S & P Industrial div. yield	2.98	3.07	3.13	3.17
S & P Indl. P/E ratio	15.49	15.20	14.85	12.82

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Nova Corp	2,460,700	7⅝	+ ⅛
Nat Semicondts	2,399,900	8¼	+ ⅛
Texas Utilities	2,340,400	36½	—
Upjohn	2,099,400	40¼	+ 1
Am T & T	2,026,400	43⅛	− ⅛
Philip Morris	1,886,400	44½	+ ⅛
Advanced Micro	1,856,800	10⅛	+ ⅛
Royal Dutch	1,757,900	78⅛	+ ⅛
IBM	1,735,300	117	+ 1⅛
Fannie Mae	1,620,100	40⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	May 21	May 18	May 17
New York	166.280	168.454	164.677
Amex	11.442	11.637	11.913
NASDAQ	(u)	191.411	171.407
Issues Traded	2,007	1,987	1,973
Rises	980	745	825
Falls	531	715	658
Unchanged	496	527	490
New Highs	108	53	68
New Lows	33	38	42

CANADA

TORONTO	May 21	May 18	May 17	May 16	1990 HIGH	1990 LOW
Metals & Minerals	(c)	3053.40	3064.80	3058.60	3453.05 (4/1)	2850.80 (23/4)
Composite	(c)	3521.30	3509.50	3486.80	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	(c)	1816.38	1811.67	1797.94	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 21	May 18	May 17	May 16	1990 HIGH	1990 LOW
AUSTRALIA All Ordinaries (1/1/80)	1458.0	1478.1	1481.6	1493.8	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	719.9	728.5	731.8	740.8	860.8 (5/1)	715.3 (1/5)
[illegible]						
TAIWAN** Weighted Price (30/6/66)	6992.89	7416.96	7927.17	8059.14	12495.34 (10/2)	6992.89 (21/5)
THAILAND Bangkok SET (30/4/75)	957.96	926.63	908.79	894.03	957.96 (21/5)	760.39 (7/2)
WORLD M.S. Capital Intl. (1/1/70)	(u)	515.3	517.2	515.8	571.0 (4/1)	468.3 (2/4)

**Saturday May 19: Taiwan Weighted Price: (c) Korea Comp Ex. 765.16
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday May 21 1990

	Stocks Traded	Closing Prices	Change on day
Ebara	16.3m	2,130	+130
Sasebo Hvy Id	8.2m	1,040	+10
Japan Met&Chm.	7.7m	1,890	0
Honshu Paper	7.6m	2,600	+20
Nippon Mining	7.5m	1,040	+10
Chiyoda Corp	7.2m	2,620	+120
Daikuku	5.5m	2,170	+40
Kurabo Inds	5.1m	1,020	-20
Mitsumi Elec	5.0m	1,550	+130
Gun-ei Chem	4.9m	1,680	+110

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

AMEX COMPOSITE PRICES
4pm prices May 21

[illegible]

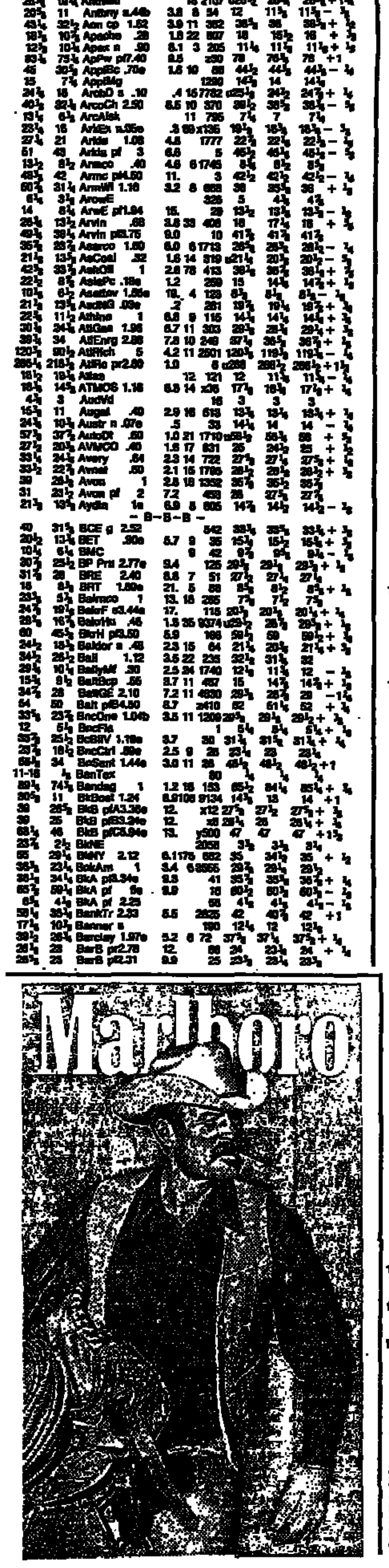
AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE | JAPAN

[illegible]

4pm prices May 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.3	13	422	21	20½	21	
9⅝	8	ACM n	1.01	12.		144	8¾	8½	8⅝	+ ⅛
11⅝	9⅛	ACMIn	1.26	13.		1127	9⅝	9⅜	9½	
9⅜	7⅛	ACM M n	1.01	13.		392	7⅞	7¾	7¾	– ⅛
12¼	10	ACMMM				194	10⅝	10½	10⅝	+ ⅛
11½	9⅜	ACM Sc	1.28	13.		1412	9¾	9½	9½	– ⅛
9⅝	8⅛	ACMSp	1.01	12.		620	8½	8⅜	8⅜	
22⅝	14⅝	AL Lab	.16	.7	19	61	21⅞	21½	21½	– ⅛
4⅛	3	AMCA	.20e	6.7	9	2	3	3	3	– ⅛
6⅛	2⅛	AM Intl			6	497	2⅝	2⅛	2⅛	– ⅛
23⅛	10⅛	AM In pf	2	18.		65	11	10⅞	10⅞	+ ⅛
107¼	52½	AMR			13	3756	66	65⅜	65¾	
4⅛	3	ARX				58	3½	3⅜	3⅜	– ⅛
72¾	39	ASA	3a	6.0		1694	50½	49½	50¼	+1⅛
71¼	55⅛	AbtLab	1.68	2.3	18	6909	u71⅞	70⅜	71½	+ ⅞
36⅛	27⅜	AbtLb wi				10	35⅞	35⅜	35⅞	
16⅞	11¼	Abitibi g	.50			32	12⅞	12⅝	12⅞	+ ⅛
13	8⅜	AcmeC	.40	4.2	11	73	9⅝	9¼	9⅝	+ ⅜
9¾	7⅝	AcmeE	.32	3.5	11	129	9⅛	8⅞	9⅛	+ ⅛
40⅛	20½	Acuson			24	220	u40⅛	39⅝	40¼	+ ⅞
16½	13⅛	AdaEx	2.05e	13.		118	16⅛	16	16⅛	+ ⅛
15⅝	9	Adobe				181	12⅝	12⅝	12⅝	
21⅝	20⅛	Adob pf	2.40	12.		40	20¾	20½	20¾	– ⅛
10⅝	6⅞	AMD			23	16505	u11	10⅝	10⅞	+ ½
36	28¼	AMD pf	3	9.4		154	32	31	31⅞	+ ⅞
10⅛	4⅛	Advest	.16	3.7	65	227	4½	4⅜	4⅜	– ⅛
62½	45¼	AetnLf	2.76	5.4	9	1553	51⅞	50⅞	51½	+ ⅞
14	9¾	AfilPb	.24	2.4		1222	10	9⅝	10	+ ⅛
25	16⅛	Ahmans	.88	4.3	9	3629	20¼	19½	20¼	+ ⅝
3⅛	1⅞	Aileen				35	2⅛	2⅛	2⅛	



Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10¼	7¼	Primrk				57	8⅛	8	8	− ⅛
37½	7¼	PrimeM	.08	.6	7	8831	14⅛	13⅜	13½	− ¼
18⅝	7	PrMLtd	2.08	24.	8	176	8¾	8⅛	8½	+ ⅜
32⅛	21⅝	Primca	.32	1.0	11	3810	u32⅜	31⅞	32¼	+ ⅞
77⅞	60⅝	ProctG	s1.80	2.3	19	6914	u78⅛	76⅛	77⅝	+1⅛
43⅛	27⅞	ProgCp	.44	1.1	12	684	40⅛	39⅝	39¾	
29⅞	16⅛	Proler s	.52	3.2	18	137	16¾	d16	16½	− ⅛
32	23¼	Promu n				449	27¾	27	27⅝	+ ¼
10⅞	8	PrTAm	.84	10.	52	89	8⅞	8⅞	8¾	
8⅞	4⅞	ProsSt	.96	20.		148	4⅞	4⅝	4⅞	+ ⅛
9½	7	Prulnt	.96	13.		721	7⅝	7¼	7¼	
6⅝	5	PruRl	.60	13.		40	5⅞	5¼	5⅞	+ ⅛
8⅞	6⅝	PruStr	.96	13.		1074	7⅛	7	7⅛	+ ⅛
27	20⅝	PSvCol	2	9.2	8	497	21⅝	21⅝	21⅝	
24	21⅛	PSCol pf2.10		9.3		2	22½	22½	22½	+ ¼
4⅛	2¾	vjPSNH				698	3⅛	3	3	
21⅞	10½	vjPSNH pf				z800	21⅞	21¾	21¾	+ ⅜
21⅞	10⅝	vjPNH pfB				39	u22	22	22	+ ¼
22¼	11⅝	vjPNH pfC				4	21¾	21¾	21¾	+ ⅞
22	10¾	vjPNH pfD				3	21⅞	21⅞	21⅞	+ ¼
22⅛	11	vjPNH pfE				61	21⅞	21⅝	21⅞	+ ¼
22	10½	vjPNH pfF				76	21⅞	21¾	21¾	
22	10¾	vjPNH pfG				71	21⅞	21⅝	21¾	+ ¼
16⅞	10⅛	PSvNM			16	1036	11¼	10⅞	11⅛	+ ¼
29⅞	24⅞	PSEG	2.08	7.9	10	1662	26⅝	26¼	26⅜	− ⅛
77¾	71⅝	PSEG pf6.80		9.3		z20	73½	73½	73½	+1½
86⅞	77¾	PSEG pf7.52		9.3		z50	81	81	81	− ½
85½	77	PSEG pf7.40		9.0		z200	82	80	82	+2
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	7⅛	Snyder n.16								
2¼	⅞	Solitron								
61½	33⅞	Sopat	2							
65⅝	45	SonyCp	.31e							
37	16⅛	Sothby	s.60a							
43⅞	38½	SourcC	3.60							
26½	23⅞	SrcCp pf2.40								
23⅛	16⅞	SoJerin	1.44							
31½	23½	Southwn	.50							
29⅛	10½	SoestBk	1.12							
28⅛	23⅝	SouthCo	2.14							
32⅛	26	SoInGs	1.90							
46½	33⅛	SNETI	s1.76							
⅞	1-128	vjSoml								
3⅝	⅞	vjSmk pf								
90⅞	20	SwAirl	.14							
20⅝	16½	SwtGas	1.40							
64⅞	40⅝	SwBell	2.76							
38⅜	24⅞	SwEnr	.56							
31⅞	26¾	SwtPS	2.20							
43⅛	29	Sovran	1.60							
30	10⅞	Spain	.96e							
11	4	Sparton	.13j							
11⅞	4⅛	Sprague	.05e							
45⅛	29	Springs	1.20							
62⅞	48	SquarD	2.20							
19⅜	11½	StBPnt								
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
27⅞	18	Wynns	.80	3.8	13	5	19⅞	19⅞	19⅞	
		— X—Y—Z —								
55½	46	Xerox	3	6.1	84	180	49¾	48⅞	49⅛	− ⅛
36⅝	21⅛	XTRA	.48	2.0		519	24⅛	23½	23⅞	+ ⅝
29	18⅞	XTRA pf1.94		9.8		520	20⅛	19⅛	19⅞	+ ¼
4⅛	2⅛	Zapata				514	2⅛	2⅛	2⅛	− ⅛
21⅞	7⅞	ZenithE				535	9½	9⅜	9½	
21½	13½	ZenNtl	.84	5.4	9	118	15⅝	15½	15⅝	− ⅛
9⅞	5⅝	Zenix	.90	15.		242	5⅞	5⅝	5⅞	+ ⅛
18½	12⅞	Zero s	.40	2.8	14	254	14⅝	14⅛	14½	+ ⅜
47½	30⅞	Zurnln	.76	1.6	21	622	47⅞	46⅝	47	+ ⅛
12⅝	10⅝	Zweig	1.21e	10.		305	11⅞	11⅝	11⅞	
10	8⅞	ZweigTl	.96	11.		1057	9¼	9⅛	9⅛	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices May 21

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

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AMERICA

Rally in futures boosts equities to record level

Wall Street

A BURST of programme buying in an otherwise thin market pushed the equity market sharply higher yesterday, leaving the Dow Jones Industrial Average at another record, *writes Janet Bush in New York.*

The Dow closed 24.77 points higher at 2,844.68 on moderate volume of 167m shares. The Dow had closed 11.80 points lower on Friday at 2,819.91.

The broadly-based Standard & Poor's 500 index was also sharply higher, quoted up 3.85 points at 358.49 and the Nasdaq Composite index of over-the-counter stocks was 4.53 points higher at 452.84, helped by a rally in cable television and some computer software stocks.

There appeared to be no particular trigger for the broad futures-related rally yesterday morning. Traders said that there were a couple of large buy orders for Standard & Poor's 500 futures which, because trading was quiet, had an exaggerated impact.

As the futures surged to large premiums to their underlying stocks in the cash market, traders sold stock index futures and bought stocks. The rally came in isolation from other financial markets – evidence that it was almost entirely technical in nature.

The Treasury bond market was only marginally higher with the long bond quoted ⅛ point higher for a yield of 8.68 per cent. Bond prices hardly moved throughout the session.

Speculation about the direction of interest rates has waned because the US Federal Reserve has made it fairly clear that monetary policy is still on hold in spite of what were interpreted as weak economic figures for April and some sense of an improvement in inflationary expectations.

One group of stocks which attracted interest yesterday were cable television companies. The industry's annual trade show began yesterday in Atlanta amid talk that reregulation by Congress would not be stringent.

Most companies with cable television interests were higher yesterday including Time Warner which jumped $4 to $99¾. On the over-the-counter market, Tele-Communications A shares jumped $1¾ to $15⅞ and Comcast added $1¼ to $14⅞.

There was also some interest in the computer sector yesterday after the proposed merger of Lotus Development and Novell fell apart, an arrangement which analysts felt would provide a balance to the power of Microsoft in the personal computer software market.

There was some speculation yesterday that there may be a sweetened merger deal after Novell said it was interested in reopening negotiations. Microsoft jumped $2 to $70⅛ while Lotus fell $1 to $33⅝ and Novell jumped $1⅞ to $42.

Bank of Boston added $1 to $14 after the bank put in the winning bid last Friday for $340m in deposits from the failed Merchants Bank, a subsidiary of Merchants Capital.

GEICO, the auto insurance company, gained $2½ to $152⅝ on speculation that Mr Warren Buffett, the investor, may be considering selling his 44 per cent stake in the company.

Synergen dropped $1⅛ to $11 after the company said that Hoffman-La Roche would no longer support research for a potential treatment for rheumatoid arthritis.

Toronto was closed yesterday for a holiday.

Equity recovery edges towards 1990 high

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	-3.83	-10.99	+76.19	+32.16	+29.11	+35.35
Belgium	+1.29	+0.97	-3.62	-5.43	-5.83	-1.27
Denmark	+2.37	+0.31	+19.30	-0.30	+0.04	+4.88
Finland	+5.85	+3.87	-12.75	+2.42	+1.28	+6.18
France	+0.32	-1.01	+22.83	+3.16	+2.48	+7.44
W. Germany	-1.46	-1.47	+38.00	+5.20	+3.01	+7.99
Ireland	+3.40	-4.17	+8.45	-3.18	-3.40	+1.27
Italy	+3.53	+2.08	+16.81	+3.07	+2.87	+7.85
Netherlands	+1.92	-1.21	+4.19	-4.61	-6.14	-1.59
Norway	-0.20	+4.40	+19.17	+17.99	+15.88	+21.49
Spain	+0.71	+2.52	-6.18	-5.95	-4.48	+0.13
Sweden	+0.75	+6.79	+17.40	+2.64	+0.66	+5.53
Switzerland	-0.01	+5.24	+16.35	-1.89	+2.77	+7.74
UK	+4.07	+3.16	+1.60	-6.87	-6.87	-2.37
EUROPE	+1.74	+1.25	+11.31	-1.80	-2.10	+2.63
Australia	-0.57	-0.72	-3.17	-9.55	-16.93	-12.92
Hong Kong	-1.39	-4.38	-12.54	+3.42	-1.13	+3.66
Japan	+1.51	+7.14	-8.01	-18.60	-26.98	-23.44
Malaysia	+2.66	+4.84	+23.02	-1.54	-6.21	-1.67
New Zealand	+3.71	+3.04	-3.71	-8.09	-15.45	-11.36
Singapore	+3.50	+6.89	+19.74	+11.87	+9.35	+14.64
Canada	-0.18	+4.85	-2.25	-9.13	-14.76	-10.63
USA	+0.74	+5.64	+10.51	+0.13	-4.49	+0.13
Mexico	+13.47	+22.85	+200.40	+62.08	+47.03	+54.14
South Africa	+0.93	+3.92	+38.31	+9.00	-7.44	-2.96
WORLD INDEX	+1.24	+4.83	+2.28	-8.13	-13.61	-8.43

† Based on May 18th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By William Cochrane

THE WORLD's equity markets extended their recovery last week, a rise of 1.2 per cent trimming the year's loss to 8.1 per cent so far. That fall was virtually all in Japan. WI Carr of the Banque Indosuez Group observes in its weekly review that the FT-Actuaries World Index, excluding Japan, has risen to within a percentage point of a new 1990 high.

Japan actually had a good week on balance, starting well on the strength of the yen and holding on to its gains in nervous trading thereafter, and closing the week with a 1½ per cent gain.

Europe was a mixture. The UK was adding new shades of meaning to the old London adage – "Sell in May and go away (but presumably not too early in the month) . . ." – continental Europe has been described as hesitant. Excluding the UK, Europe made a rise of just 0.4 per cent last week. Within that, there were some winners. Finland, bombed out late in 1989 and again just 10 days ago, has enjoyed an apparent recovery of overseas interest, following the drop in Helsinki interbank offered rates from more than 16 per cent at the end of last year to around 13 per cent in the middle of last week.

Ireland featured for the second time in the month, but this time with a 3.4 per cent rise, compared with the weekly fall of 4.28 per cent which took it into prominence a fortnight ago. Citicorp's Mr Adrian O'Carroll says that the market is now trading at a discount to its historic average p/e ratio and that earnings growth is expected to remain impressive by international standards.

Country rotation seems to be the name of the game. Neither Finland nor Ireland figured among the nations favoured by international investment money at this time a week ago; Norway, Sweden and Switzerland, which were doing well, seem to have fallen out of contention.

Italy is another newcomer to the winners list. The Milan bourse closed the old account well last week, and started the new one in good form. High liquidity in the bond market spilled over into equities, and there may have been some anticipation of the government package of spending cuts on Friday, which was followed by a cut in interest rates over the weekend.

The week's star performer was Mexico, which extended a phenomenal run in fine style with a rise of 13½ per cent in local currency terms. There is much concern over the economy's inflation rate, a yawning current account deficit, and labour problems; but against that *aficionados* of the market can point to a rise of over 50 per cent in the market, in US dollar terms, this year after one of more than 100 per cent on the same basis in 1989.

The Pacific Basin, ex-Japan, showed a fall of 0.1 per cent on the week. New Zealand and Singapore both came out with rises of more than 3 per cent – the former mainly on big block orders from overseas at the start of the week and the latter, after a mid-week lull following seven days of gains, seeing foreign interest once again last Friday.

ASIA PACIFIC

Nikkei falls as hopes for early US rate cut fade

Tokyo

EQUITIES started the week in a depressed mood as hopes of an early cut in US interest rates diminished. A subsequent decline in the yen and weakness in the bond market combined to take the Nikkei average below the 32,000 mark in listless trading, *writes Michiyo Nakamoto in Tokyo.*

Technically, the market was also looking vulnerable, now that the gap between the Nikkei average and its 25-day moving average was at a dangerously high level of over 5 per cent, analysts said.

Share prices yesterday opened lower and fell throughout the day, aggravated by selling in arbitrage with the futures. Rumours of heavy selling from a major investment trust added to the gloom. The Nikkei ended 248.67 lower at 31,765.05 after hitting a high of 31,987.36 to a low of 31,605.39.

Decliners led gainers by 656 to 270 and 187 issues were unchanged. Turnover shrank to 350m shares from 480m on Friday. The Topix index of all listed stocks lost 17.44 points to 2,370.82 and in London, the ISE/Nikkei 50 index fell 3.27 to 1,764.46.

"The market is not in a very healthy state," said Mr Morihiko Ida at Morgan Stanley Investment Advisory. The depressed volumes also showed that sentiment was low.

Interest rate sensitive issues fell, with the Industrial Bank of Japan down Y110 to Y4,220 and Sumitomo Bank falling Y50 to Y2,660.

But the environmental theme remained in favour. Ebara, the industrial machinery maker which makes desulferisation equipment for exhaust gas and garbage disposal equipment, surged Y130 to Y2,130. It topped the actives list with 16.3m shares. Chiyoda, a leading industrial machinery maker, gained Y120 to Y2,520 in active trading.

Companies with good earnings were also selectively pursued. Daifuku, which specialises in handling equipment and automatic conveyance systems for factories, advanced Y40 to Y2,170 after reporting higher than expected profits.

Electronics components makers attracted attention as investors looked for trading ideas. Mitsumi Electric gained Y130 to Y1,550 in active trading while Nichicon moved up Y50 to Y1,560.

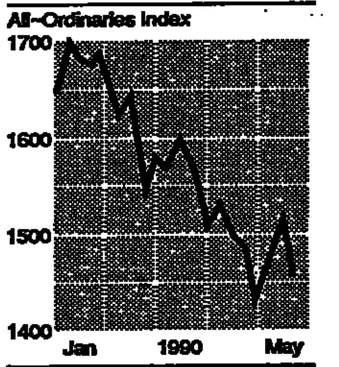
In Osaka, profit-taking set in. The OSE average lost 176.82 to 34,485.13 and listless trading took volume down to 34.4m shares from 42.9m on Friday.

Roundup

PACIFIC Rim markets were mostly lower and the few which managed to advance, did so with little conviction and in thin turnover.

Australia

All-Ordinaries index



AUSTRALIA dropped further on worries about corporate earnings, particularly from the financial sector. The All Ordinaries index fell 20.1 to 1,458.0. Turnover rose to 134m shares or A$135m after Friday's 76m shares or A$173m. Among weak banking stocks, Westpac shed 19 cents to A$4.67 in heavy volume of 4.9m shares. BHP fell 20 cents to A$8.82 while Elders IXL added 1 cent to A$1.85 following news on Friday that John Elliott, the chairman, had retired.

NEW ZEALAND sympathised with Australia. The Barclays index fell 17.12 to 1,751.25 and turnover slipped to 7.5m shares or NZ$11.7m from 8.3m or NZ$12.1m on Friday.

TAIWAN gave up early gains to close lower for the fourth consecutive session as big players sold heavily. The weighted index tumbled 424.07, or 5.72 per cent, to 6,992.89. Turnover eased to NT$71.36bn from Friday's NT$72.61bn.

MANILA staged an unconvincing rebound. A 21.6 per cent decline in the first quarter earnings of San Miguel Corp and a lack of follow-through buying brought the market off the day's highs. The composite index rose 7.92 to 932.18.

SEOUL rose in thin volume as investors took a fresh look at the Government's market-supporting measures. The composite index rose 5.12 to 770.26, on turnover of 100.1bn won after 113.6bn won on Saturday, about half the normal level.

HONG KONG ended mixed in the lowest turnover for three weeks on continued caution before the first anniversary of the June 4 massacre in Peking. The Hang Seng index rose 4.54 to 3,930.85 while volume narrowed to HK$731m from HK$1.29bn on Friday.

SINGAPORE rose on foreign buying of blue-chips. UIC was the most actively traded stock, with 7.16m shares traded on news that it had got control of Singapore Land. But UIC came off highs of S$2.85 to close 7 cents higher at S$2.80 amid speculation that it would soon have a big rights issue to pay for Singapore Land. The Straits Times index rose 18.11 to 1,570.99. Turnover fell to 71.6m shares from 83.3m on Friday.

KUALA LUMPUR rose on bargain-hunting. The composite index rose 4.5 to 570.63 while turnover eased to 35.4m shares from 38.5m on Friday.

BANGKOK hit new highs on domestic and foreign buying, especially Taiwanese, on news that the Government would relax the country's foreign exchange controls. The official SET index jumped 31.82 to close at a record 957.96.

EUROPE

Frankfurt falls on monetary union concerns

THE FALL in Frankfurt and the surge in Milan, both on interest rate considerations, were piquant features yesterday on a Continental bourse scene which has tended to see these markets' strengths and weaknesses in quite another way, *writes Our Markets Staff.*

FRANKFURT's bond and bond futures markets went soft on worries about interest rates and monetary union; equities followed them down, reaching a critical level in the recent history of the DAX index, and threatening to test another.

Dealers, analysts and economists were doing some serious thinking about last West German 10 year government bond issue, and the 8¾ per cent interest rate coupon which accompanied it. Subsequent consideration of the German Unity Fund, and the strain which additional government funding to finance the reconstruction East Germany could put out on the enlarged country's financial system, saw the Bundesbank's average bond yield rise eight basis points to 9.00 per cent.

The response of the equity market was a 16.45 drop to 771.70 in the FAZ index at mid-session and one of 32.41 to 1,811.18 in the DAX at the close. Volume slid from DM7.2bn to DM5.5bn.

The DAX last hit bottom with an intraday 1,808.78 on April 27, bouncing back over the 1,900 mark in relatively short order. Before that, the declines it saw in January and February took it below 1,800, and dealers yesterday were talking about a resistance level of 1,780.

Positive news from the corporate sector had little effect on share prices. The energy, chemicals and aluminium group Viag posted a 14 per cent rise in first quarter net profits and promised a higher 1990, but the shares fell DM6 to DM408. In chemicals, Bayer fell DM5.20 to DM294.30 although its C$1¼bn acquisition of the Polysar rubber division of Nova Corp, of Canada, was regarded as an intelligent deal.

ZURICH weakened in sympathy with Frankfurt, the Crédit Suisse index easing 2.0 to 623.3. Chemicals led the market higher in the first half of the session, on buying inspired by the basket of covered warrants for chemical shares launched by Bank Vontobel, but they lost their gains later. Roche certificates rose SFr80 to SFr4,070 before closing SFr20 lower at SFr3,970.

PARIS ended lower on profit-taking before the last day of the account today. The CAC 40 index closed 7.96 lower at 2,092.21 against a day's high of 2,094.41 and a low of 2,074.86. Volume was estimated at around FFr3bn, swollen by a large block trade in Michelin.

Michelin closed 30 centimes firmer at FFr128.50 after reaching a low at FFr126 when one million shares were crossed through the French brokers Cazenave-Bouvet, dealers said. They were unable to identify the two parties concerned.

Among other featured stocks, Lafarge fell FFr10.4 to FFr454.60 with 122,300 shares traded as investors took profits after last week's rally inspired by rumours that Hanson of the UK was building a stake. Dealers said that there was still a buyer interested in acquiring stock in the cement producer around these levels; but, they noted, Lafarge's Spanish subsidiary Asland had bought 530,000 shares in its parent over the last week. "Lafarge has valuable real estate, it is vulnerable and it is cheap," one broker said.

Among oil stocks, Total fell FFr16 to FFr707 after its gains last week while Elf rose FFr3 to FFr706. BSN, the food giant, lost FFr8 to FFr872 after saying it was looking for a buyer for its biscuit interests in the US.

MILAN surged in active trading following the Bank of Italy's decision to cut the discount rate to 12.5 per cent from 13.5 per cent. Industrial blue-chips were sought after by foreign and domestic institutions while second-liners were neglected. The Comit index rose 6.51 to 730.60 and volume was estimated to have risen strongly to more than L500bn.

Generali led the way, rising L140 to be fixed at L42,590 but rose further to L42,700 after hours while Fiat reached L10,535 after being fixed L145 higher at L10,398. Among the banks, Banca Nazionale dell'Agricoltura rose a strong L445 to L9,020 on renewed speculation about control of the bank.

AMSTERDAM had one of its quietest days this year, with the CBS Tendency index easing 0.9 to 118.2 in very thin trading. The market was expected to remain quiet this week because of Thursday's holiday.

Insurer Amev rose 80 cents to Fl 58.10 after reporting better-than-expected first quarter results. But Philips fell 90 cents to Fl 32.10 after news that US investors would sue the company for allegedly misleading investors about the company's financial situation.

MADRID fell further on profit-taking in generally featureless trading. The index ended at 283.51, down 0.09 on the close of open outcry trading and down 1.45 from Friday.

Among banks Bilbao Vizcaya lost Pta30 to Pta3,270 while Banco Central dropped Pta35 to Pta4,810. In the construction sector, Asland fell Pta80 to Pta5,880 and Dragados dropped Pta40 to Pta3,100.

STOCKHOLM closed mixed in moderate trading. Astra, the pharmaceutical company, continued to attract strong buying interest, with its free B-shares climbing SKr20 to SKr530 in reaction to last week's strong first quarter result. The Affärsvärlden general index closed 4.4 higher at 1,232.9.

Interest in the banking sector increased as a result of falling domestic interest rates, with shares advancing an average of 0.58 per cent. Handelsbanken rose SKr5 to SKr116.

HELSINKI rose further closed higher in low volume. But, in contrast to last week, when strong foreign interest drove prices higher, only one of the 10 most traded shares was a free share. The Unitas all-share index rose 2.9 to 577.2.

SOUTH AFRICA

GOLD shares recouped some of Friday's losses on a firmer bullion price but this was offset by violence in Welcom, the centre of the Free State gold fields. De Beers rose R1.60 to R106.75 on more reports that it would severe ties with its domestic operations.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 21 1990						FRIDAY MAY 18 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	130.56	−1.0	114.47	113.67	−1.4	6.11	131.82	115.61	115.25	158.31	125.85	134.78
Austria (19)	235.78	−4.4	206.72	203.48	−3.7	1.33	246.61	216.28	211.37	285.63	193.15	111.61
Belgium (61)	151.08	−1.1	132.46	127.61	−0.6	4.52	152.70	133.92	128.41	160.02	132.11	128.33
Canada (120)	135.82	−0.1	119.08	116.01	+0.0	3.45	136.00	119.27	116.01	153.61	130.37	137.53
Denmark (34)	252.99	−0.4	221.81	218.07	+0.3	1.52	254.04	222.79	217.41	260.82	236.69	171.44
Finland (26)	139.63	−1.3	122.42	114.68	−1.0	2.39	141.54	124.13	115.83	152.29	129.99	139.76
France (125)	165.63	−1.2	145.22	145.63	−0.3	2.82	167.64	147.02	146.07	168.85	141.69	112.85
West Germany (93)	129.89	−2.8	113.89	112.34	−1.9	1.99	133.60	117.17	114.46	137.71	122.05	79.63
Hong Kong (48)	121.65	+0.2	106.66	121.57	+0.2	5.12	121.42	106.48	121.38	126.90	112.24	119.29
Ireland (17)	182.71	−0.6	160.19	159.75	+0.2	2.74	183.85	161.24	159.42	198.57	172.72	138.32
Italy (96)	106.00	−0.2	92.93	96.82	+0.8	2.46	106.16	93.10	96.09	106.16	91.85	75.38
Japan (454)	149.30	−1.2	130.90	144.86	−0.8	0.57	151.12	132.53	146.06	197.28	124.40	179.81
Malaysia (35)	228.00	+1.2	199.90	237.26	+1.2	2.27	225.22	197.52	234.37	245.32	204.15	181.46
Mexico (13)	501.92	+0.0	440.06	1562.62	+0.7	0.33	501.69	439.99	1551.49	501.92	324.53	209.10
Netherland (43)	139.80	−1.3	122.57	119.32	−0.3	4.72	141.60	124.18	119.72	145.66	130.43	112.45
New Zealand (17)	63.27	−1.0	55.47	58.60	−1.1	7.50	63.90	56.04	59.23	75.36	59.57	67.84
Norway (23)	241.52	−0.5	211.76	211.04	+0.0	1.50	242.80	212.93	211.08	245.90	202.34	184.28
Singapore (25)	206.50	+1.8	181.05	176.38	+1.8	1.86	203.16	178.17	173.58	208.50	179.70	158.25
South Africa (60)	194.58	+2.0	170.60	167.79	+1.2	3.54	190.71	167.26	165.76	251.39	173.80	126.57
Spain (42)	161.31	−1.2	141.43	126.48	−0.5	4.20	163.30	143.22	127.12	165.19	132.84	148.09
Sweden (35)	202.00	−0.3	177.11	181.22	+0.3	2.22	202.67	177.75	180.70	206.95	173.89	157.73
Switzerland (66)	99.60	−1.7	87.32	87.84	−0.5	2.35	101.35	88.89	88.25	102.05	86.75	68.61
United Kingdom (305)	155.76	+0.5	136.56	136.56	+0.5	4.66	154.94	135.88	135.88	164.31	139.87	142.11
USA (537)	144.63	+1.0	126.81	144.63	+1.0	3.36	143.23	125.62	143.23	145.40	130.61	131.21
Europe (985)	145.00	−0.8	127.13	125.74	−0.2	3.58	146.13	128.16	126.03	146.66	135.57	113.84
Nordic (118)	199.27	−0.4	174.71	168.30	+0.2	1.87	200.14	175.53	167.98	201.89	185.01	150.43
Pacific Basin (660)	147.64	−1.1	129.44	142.71	−0.8	0.89	149.35	130.98	143.86	192.75	124.63	175.41
Euro – Pacific (1645)	146.96	−1.0	128.84	136.32	−0.6	1.97	148.43	130.18	137.10	174.18	130.35	150.80
North America (657)	144.00	+0.9	126.25	142.73	+0.9	3.36	142.70	125.15	141.43	145.78	131.02	131.60
Europe Ex. UK (680)	136.74	−1.6	119.89	118.78	−0.7	2.78	138.91	121.83	119.59	139.50	124.81	96.37
Pacific Ex. Japan (206)	127.17	−0.3	111.50	115.02	−0.5	5.29	127.50	111.82	115.57	139.32	122.53	125.08
World Ex. US (1838)	147.25	−0.9	129.10	136.32	−0.5	2.03	148.63	130.35	137.04	173.77	131.30	150.14
World Ex. UK (2070)	144.16	−0.4	126.40	139.23	−0.1	2.23	144.70	126.90	139.33	162.00	130.80	142.41
World Ex. So. Af. (2315)	144.88	−0.3	127.02	138.73	+0.0	2.48	145.32	127.45	138.77	161.84	131.95	142.47
World Ex. Japan (1921)	144.49	+0.2	126.69	136.06	+0.4	3.52	144.17	126.44	135.51	145.52	134.62	124.69
The World Index (2375)	145.18	−0.3	127.29	138.93	+0.0	2.49	145.59	127.69	138.96	162.05	132.25	142.37

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Canadian market closed May 21.

GROUPE SUEZ

CONSOLIDATED 1989 ACCOUNTS

NET INCOME UP 51 %
NET INCOME PER SHARE : FRF 40.13

On May 15,1990, the Board of Directors of Compagnie Financière de Suez, under the chairmanship of Mr. Renaud de La Genière, approved the consolidated accounts for 1989.

After having acquired a controlling interest in Société Générale de Belgique in 1988, the Suez Group pursued its development strategy in 1989 by purchasing a controlling interest in Victoire-Colonia insurance group.

Financial highlights during the year included :

- The full consolidation of Société Générale de Belgique, which has adopted the same accounting methods and principles used by the Suez Group. For comparison purposes, the 1988 accounts have been restated to reflect these changes.

- Groupe Victoire's consolidation by the equity method through September 30,1989, the date of its acquisition, and full consolidation for the remainder of the year.

Consolidated data for 1989 are given below along with restated 1988 figures :

(in FRF billions)	1989	1988 (restated)	% change
Total assets	724.44	468.48	+ 55 %
Stockholders' equity and minority interests	84.76	53.60	+ 58 %
Stockholders' equity	37.71	29.58	+ 27 %
Net income before minority interests	9.04	3.19	+ 183 %
Net income	4.06	2.68	+ 51 %

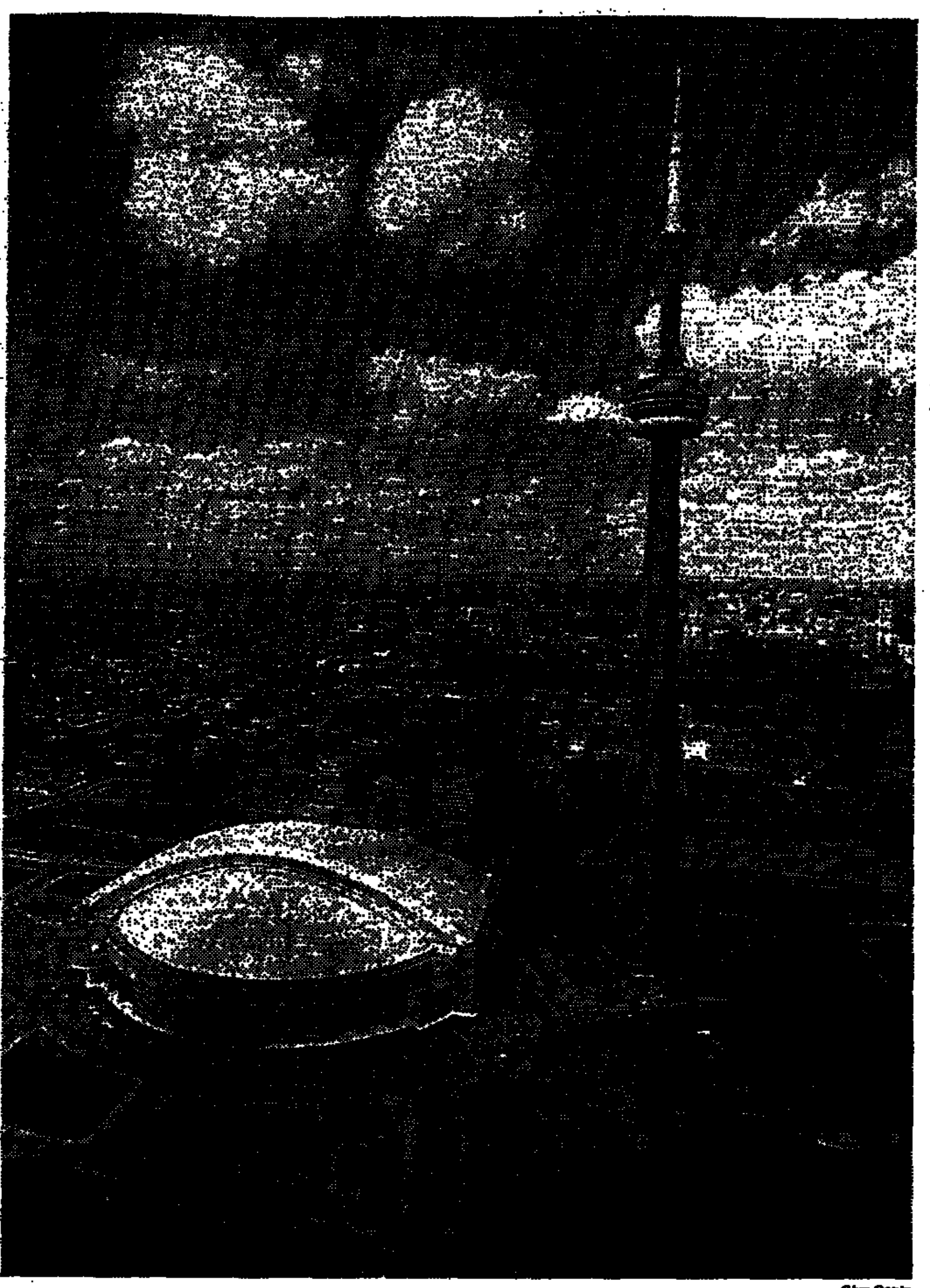
Consolidated net income after minority interests rose faster than the average number of outstanding shares, which increased by 31 % from 77 million to 101 million last year. As a result, consolidated net income per share rose by 15 % from FRF 35.01 to FRF 40.13.

SECTION III

FINANCIAL TIMES SURVEY

Canada's richest region is confronting issues, such as equal pay and anti-smoking laws, that have yet to arise in many societies. However, the Liberal Government in Ontario acknowledges that its policies are not always liked by the business community. Bernard Simon reports

The good life gets better



SkyDome and the CN tower

Glyn Genin

ONTARIO

THE CANADIAN province of Ontario is one of those fortunate parts of the world where people can take democracy, stability and a decent standard of living for granted.

As a result, while Europe grapples with a new economic and political order, and Asia, Africa and Latin America still struggle with inequality and poverty, the residents of Canada's richest region have the luxury of concentrating on the things that make a good life even better.

Ontario is unobtrusively confronting issues which have yet to appear in many other societies. Inflation-indexed pensions, tough anti-smoking rules, equal pay to men and women for work of equal value, an employment agency for the disabled, household garbage recycling, detailed reporting of hazardous substances in offices and factories, no-fault motor car insurance – these are some of the issues which have recently engaged Ontario's Liberal Government and its voters.

One political observer in Toronto says that Ontario is in the enviable position of "seeing the problems the Americans get into, and having the chance to do some things a little differently."

The provincial premier Mr David Peterson says: "We're not trying to compete with Mexico. We don't want to be a Mexico." The impetus for Ontario's leading-edge policies has come from the financial resources generated by the good times in the 1980s, coinciding with the election in 1985 of a Liberal Government with much firmer ideas about issues than its Conservative predecessors.

The long economic upswing enabled Ontario to cement its position as Canada's economic powerhouse. The province contributes more than 40 per cent of the country's gross domestic product, including half of its manufacturing output.

Ontario's budget, which this year totals C$44.5bn, makes it the fourth biggest Government in North America after the US and Canadian federal Governments, and California.

The province's population rose by almost 10 per cent between 1981 and 1988, double the rate in Canada's other nine provinces. Migrants to the "Golden Horseshoe" – the strip along Lake Ontario stretching from the steel city of Hamilton in the west to Oshawa, site of General Motors' big assembly plants, in the east – have stoked demand for housing and infrastructure.

In particular, the separatist scare in Quebec in the late 1970s helped Toronto displace Montreal as Canada's premier financial centre. According to Toronto consultancy Hemson Consulting, seven of Canada's 10 fastest-growing cities between 1986 and 1988 are in Ontario, with Ottawa top of the list. One in every six houses built in Canada in the past few years has been put up in Toronto.

In 1989, Ontarians earned an average of C$17,200 each, compared to the national average of C$14,800. On the political front, Ontario was quietly governed for 42 years by progressive Conservative Governments with a canny instinct for not rocking the boat by following rather than leading public opinion.

That changed in 1985 when the long-serving Mr Bill Davis was succeeded by a less agile, small-town politician who left his flank exposed to a rejuvenated Liberal Party under Mr Peterson, a stylish and bright former businessman from the university and medical centre of London in the south-western corner of the province.

With an array of promises, the Liberals reached out in the 1985 election to the sections of Ontario's increasingly diverse and urban society which had little in common with the largely Anglo-Saxon, business-oriented Conservative Government. The groups the Liberals directed their appeal to in 1985 – women, ethnic communities, environmentalists, younger people – are the ones they have set out to please in the past five years.

Several activist women have been named as judges, others have been put on police commissions, long a male preserve. Mr Peterson's cabinet has included a black, a Chinese, an Italian and several women. He was the first provincial premier to appoint a native Canadian as head of a Government department.

The Liberals interventionist policies take the form, in the words of one of Mr Peterson's advisers, "not so much of state capitalism as in dictating the quality of service to the public."

Ontario's anti-pollution and workplace safety laws, for example, are among the most stringent in North America. As Mr Peterson sees it, low taxes are a lesser priority than "the civility, the safeness, the clean streets, the good schools, and the fact that you can get a bypass quickly. People say they want to live here and I'm enormously proud of that."

Not surprisingly, the Liberals have had an uncomfortable relationship with the province's business community. Mr Peterson opposed the US-Canada free trade agreement, which came into force last year, and continues to identify Ontario's heavy dependence on trade with the US as one of the structural weaknesses of its economy. He has an ambivalent view towards foreign investment.

"I'm very happy to have foreign investment in new things," he says. "I'm not particularly anxious to sell off our real estate and our resources." Mr Peterson, who always wears a red tie but quickly loosens it when he is away from the TV cameras, says that business "tends to be as emotional a lobby group as I deal with in politics."

He acknowledges that "maybe, we're a little ahead of our time." But he notes that the business community "didn't like us when we brought in acid rain controls. Today, they're all running ads saying 'Aren't we environmentally friendly. We're ahead of the pack'."

To their credit, the Liberals have not been blinded by ideology. The most recent provincial budget included a substantial tax break for manufacturers, and the Government is now using the free trade agreement as a selling point to foreign investors.

"I still think it was a dumb idea," Mr Peterson says of the FTA. "But it's a fact of life. When you've got a lemon, you've got to make lemonade out of it."

While the Liberals may not be favourites in Toronto's boardrooms, they score consistently high ratings in public opinion polls. With much of the provincial opposition in disarray, Mr Peterson will thus have little trouble winning the next election, likely to be called within the next few months.

Ontario's good fortune is both envied and resented in the rest of Canada. While most other Canadians would love to share its prosperity, they are deeply suspicious of the power that comes with it.

The hostility has bubbled up forcefully in the past three years as the whole country has had to share the burden of towering interest rates, designed chiefly to take the heat out of the southern Ontario economy.

One result of this resentment is that Ontario's role in national politics is not as lopsided as its economic muscle might suggest. Although more than a third of federal MPs come from Ontario, the province's last native son to be prime minister of Canada was Mr Lester Pearson, almost 30 years ago.

The premier of Ontario is always an important ally in national politics, but he would find it difficult to force his own ideas on the rest of the country.

Mr Peterson has thus been content to play the quiet broker's role in the current impasse over Canada's constitutional future, but with the clear goal of seeking an accommodation between Quebec and the rest of the country.

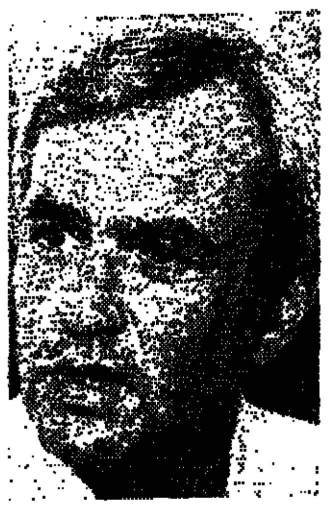
Mr Peterson, who speaks French and is on good terms with Quebec premier Mr Robert Bourassa, is a strong supporter of the Meech Lake accord, the agreement which recognises Quebec as a distinct society, but whose ratification is being held up by objections from three other provinces, Manitoba, New Brunswick and Newfoundland.

Mr Peterson, describing himself as a "moderate voice" in the constitutional debate, notes that Canadians' pre-occupation with their national identity is as old as the 124-year old confederation.

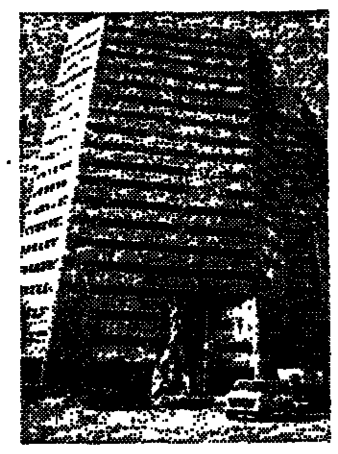
"We always get through, with or without Meech Lake," he says, adding that "we're better off keeping the country together than letting it split up."

He notes that: "The danger really is not for foreign investment, the danger is us as Canadians engaging in a self-absorbed constitutional navel-gazing that we put all our creative energies into, when we should be thinking about how to take on the world."

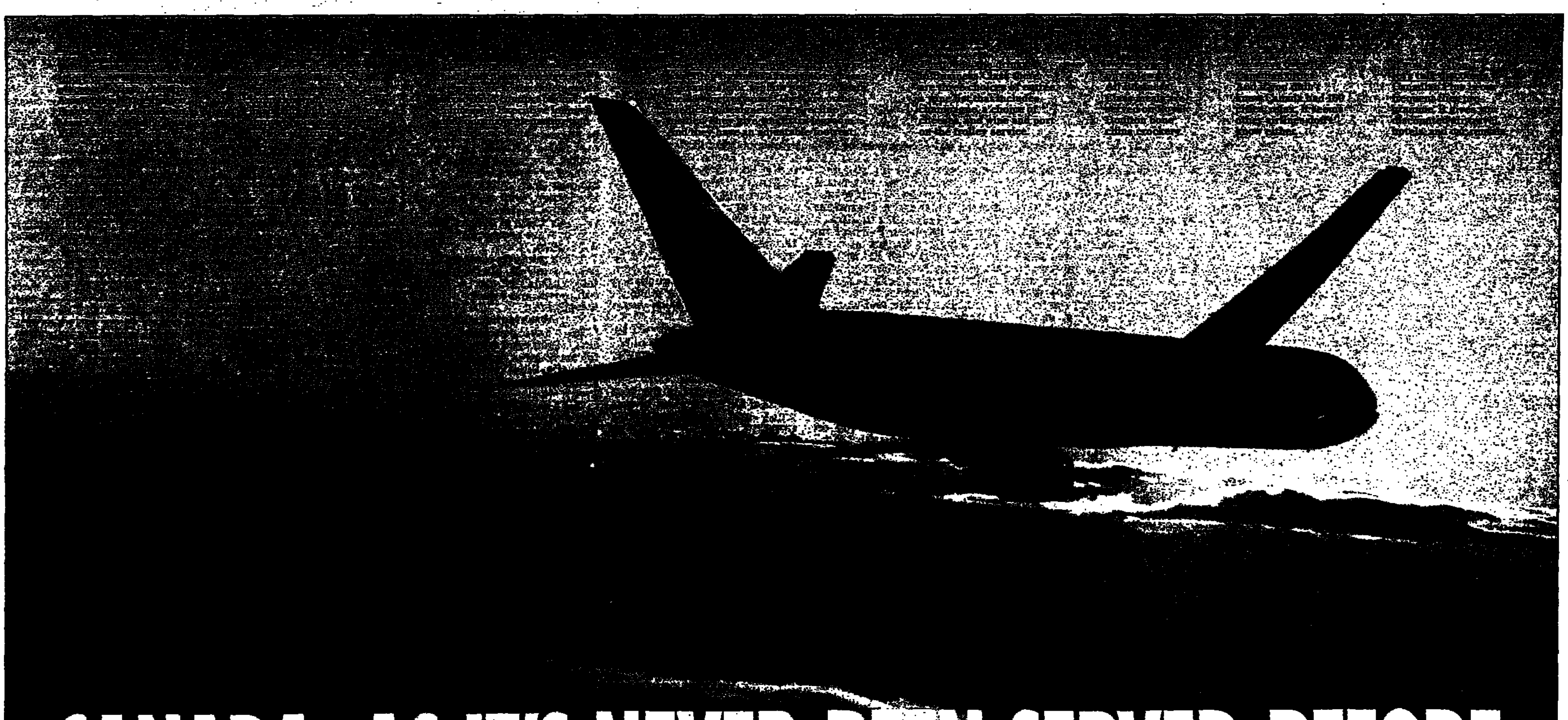
IN THIS SURVEY



David Peterson



Toronto offices: where rents are as much as C$50 a sq ft



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*Our Italian services also feature DC10-30s.

The area around Toronto is witnessing a slowdown in business activity

High interest rates take some of the heat out of the region's economy

CANADA'S HIGH interest rates are hitting the bull's eye: the over-heated economy of southern Ontario.

After enjoying some of the strongest growth in the Western world during the mid and late 1980s, the area around Toronto has slid into a phase in which business activity is not only quieter than it was, but also no better than many other parts of the country.

Toronto-Dominion Bank forecasts that Ontario's gross domestic product will rise by 1.4 per cent in real terms in 1990, down from an average of 4.4 per cent in the previous six years.

This year's expected growth rate is on a par with the national average; above the Atlantic provinces, but below Alberta and British Columbia.

While some sectors continue to invest in new capacity, two of the province's most powerful engines of growth during the 1980s, the automotive industry and the housing market, have cooled off rapidly.

Ontario is home to more than four-fifths of Canada's motor industry. The province's steelmakers and a wide range of other manufacturers depend heavily on auto industry orders. According to Statistics Canada, the Ontario transport equipment industry's capital spending will fall by more than a third this year.

Canada's two leading steel producers, Dofasco and Stelco, whose main facilities are in Hamilton, Ontario, both reported dismal first-quarter earnings – in Stelco's case, a loss.

Housing prices in Toronto went up faster than anywhere else in Canada in the 1980s, but the market in Canada's biggest city is now in a steeper dive. Toronto Dominion expects Ontario housing starts, which account for four in every 10 houses built in Canada, to dip to 75,000 units next year, 30 per cent below their their 1987 peak.

Props of economic activity in some other parts of the province are under strain. Pulp and paper mills centred around Thunder Bay in north-west Ontario are feeling the squeeze from weaker markets.

The two uranium producers at Elliot Lake in north-east Ontario are cutting back sharply in response to soft prices and high costs. The petrochemical industry centred at Sarnia on the shores of Lake Huron is also feeling the pinch.

The economic slowdown raises policy issues for the Peterson Government which has both taxed heavily and spent heavily to fulfil its promises of expanded social programmes. Revenues grew by 86 per cent between 1985 and the fiscal year which ends on March 31, 1991.

Outlays have gone up almost as fast – though slowly enough to allow treasurer Mr Robert Nixon to produce modest budget surpluses for the past two years. At a time when the Federal Government has been trimming its transfers to the provinces, Ontario's strong growth rate combined with tax increases of its own have made up the shortfall.

While the contribution of federal payments has shrunk from 16.2 per cent of Ontario's revenues in 1986-87 to 12.1 per cent in the present fiscal year, personal income taxes now deliver 32.6 per cent of the total, up from 29.2 per cent four years ago.

Two of the province's most powerful engines of growth, the automotive industry and the housing market, have cooled off rapidly

The retail sales tax brings in proportionately more. The province's debt burden has contracted from a peak of 18 per cent of GDP in 1984 to 13.5 per cent this year. In absolute terms, the debt is expected to edge down slightly this year.

Mr Nixon says there is unrelenting pressure to push up spending on secondary education, health care and municipal services. Meeting those pressures, and at the same time maintaining a balanced budget, is bound to be more difficult over the next year or two as growth slows and Ottawa continues to tighten the screws on the provinces.

Ontario has begun to put its own squeeze on levels of Government lower down the ladder. Although overall transfers to municipalities are going up by 11 per cent this year, unconditional grants have been capped at 4.8 per cent.

The advent of the Federal Government's 7 per cent Goods and Services Tax (GST) next January will have a mixed impact. Mr Nixon hopes that prices of many products, including cars, will drop as the GST replaces a 13 per cent manufacturers sales tax.

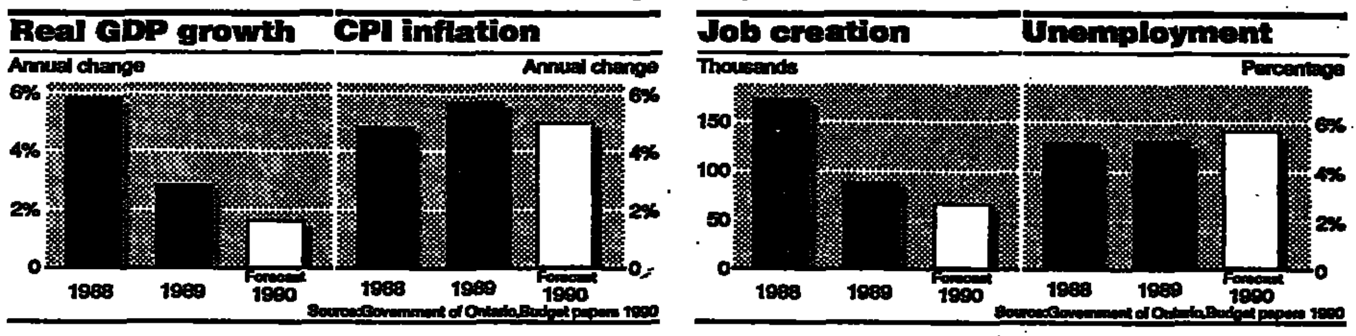
On the other hand, the nuts and bolts of implementing the new tax have been greatly complicated by the failure of the provinces and Ottawa to agree on a joint collection system for provincial sales taxes and the GST. Some items, such as bottled water, are taxed by the province but exempt from the GST, and vice versa.

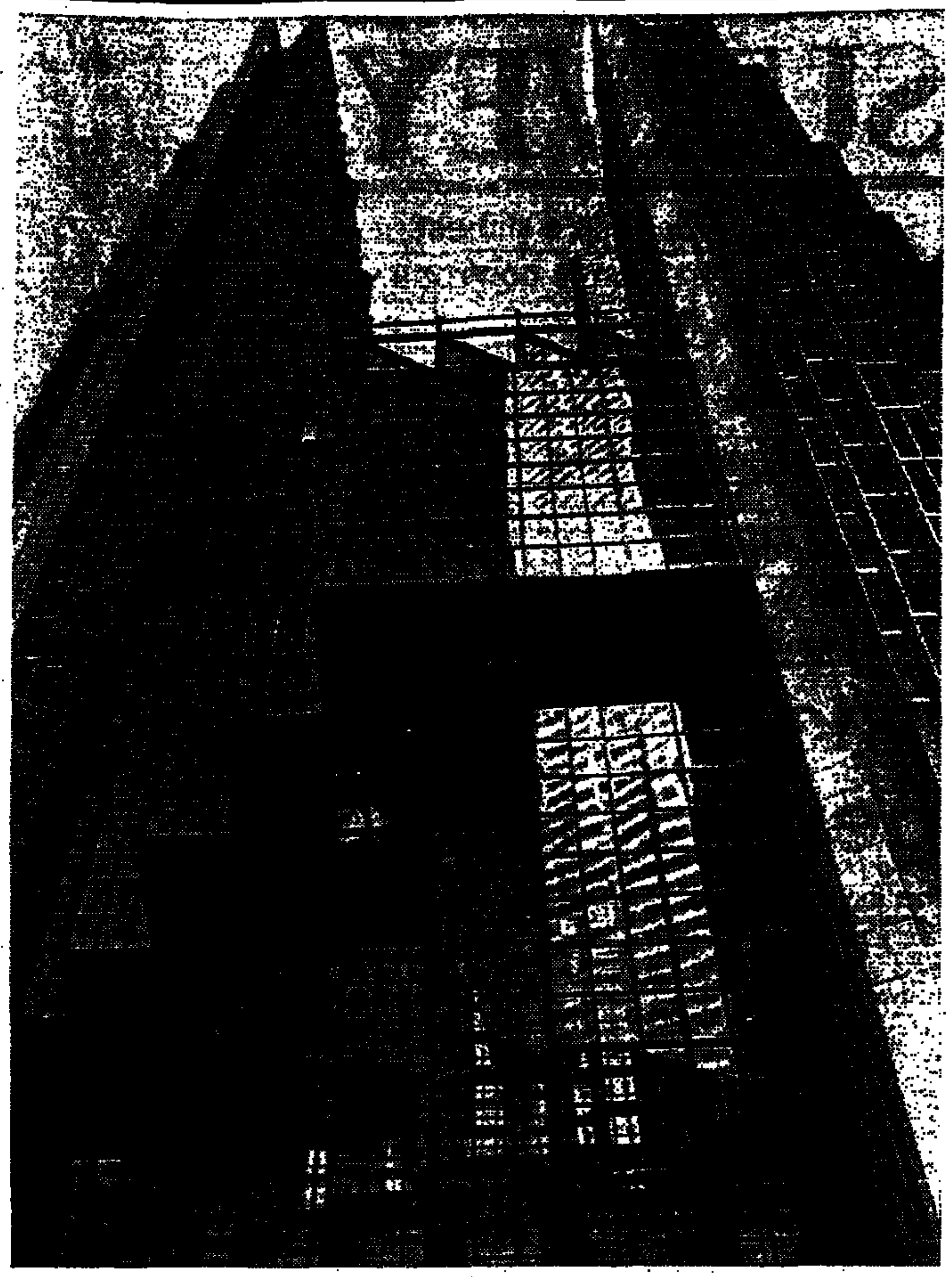
Discount coupons are treated differently by the two systems. The joy of Canada's tax system for the provinces is that, in Mr Nixon's words, "we get to spend the money, and they [the federal government] get to collect it."

Once the next election in Ontario is out of the way however, the Peterson Government is likely to allow pragmatism to triumph over politics by agreeing to combine collection of the GST and the provincial sales tax. The introduction of the unpopular GST plus the chilly economic climate are a disincentive to Governments at all levels from raising taxes over the next year or two.

But Ontario's Liberals will probably prefer to tip the scales towards heavier borrowing than allow much slippage in their political agenda. "We have the financial strength to run contra-cyclically," Mr Peterson asserts.

Bernard Simon





Office buildings in the business district in Toronto

Bernard Simon on investment

Free trade raises doubts

AS Premier Mr David Peterson was raising doubts in 1987 and 1988 about the US-Canada free trade agreement, his officials were promoting Ontario as a springboard for foreign companies wanting to do business south of the border.

The link between investing in Ontario and trading with the US has become even closer since the FTA was implemented on January 1, 1989. With a growing number of Canadian and US companies treating the North American market as a single entity, several foreign investors, such as British Gas and Hillsdown Holdings, the UK food group, have been attracted to Ontario at least partly by the prospect of expanding across the border.

The integration of US and Canadian operations can work both for and against Ontario. On the one hand, Gerber Products, North America's biggest babyfood maker, decided last year that, instead of spending heavily to spruce up an old factory in Niagara Falls, Ontario, it would supply Canada from an under-used plant near Grand Rapids, Michigan. The Michigan plant can turn out a wider variety of babyfoods than the Niagara Falls facility, giving the company a weapon to increase its 20 per cent market share in Canada.

By contrast, Connecticut-based hardware manufacturer Stanley Works will invest C$5-7m over the next five years in a factory near Ottawa that supplies North America (and other parts of the world) with tool boxes and roller cabinets.

Mr Dave Talbot, president of Stanley's Canadian tool division, says succinctly that the FTA has "kicked Canadian business in the derriere." Ontario's Industry, Trade and Technology Ministry switched strategy at the beginning of this year to reflect the importance of the US market to foreign investors in Canada.

The previous policy, described by Mr Barton Hildebrand, the ministry's director of trade and investment support, as catch what you can, or invest in automobiles, has given way to a strategy focused on the US.

The ministry has begun a study to identify sectors in the US with a high penetration of imports.

It will measure the demands of these businesses against Ontario's strengths, and then plans to look for companies which can use the latter to satisfy the former, either in the form of joint ventures with Canadian companies or new investments.

Mr Hildebrand expects that much of the wooing of investors will be centre on the same sectors where his ministry's trade promotion efforts are concentrated, including aerospace, industrial and electrical components, mining equipment, telecommunications and the business of the environment, which is one of the province's fastest-growing sectors.

Although Ontario has much to offer the foreign investor, the province faces a growing number of obstacles in attracting new business. Some of its selling points remain as pertinent as ever. High living standards and exceptionally good amenities (for both business and leisure) make it easy for expatriates to live and work in Ontario.

Business can count on an efficient infrastructure and a skilled, well-educated and increasingly cosmopolitan labour force. The April 1990 provincial budget included a significant incentive to industry by doubling to 30 per cent the tax deduction allowed on new manufacturing machinery and pollution control equipment. But promoting Ontario on the basis of Canada's famed political stability and the province's strong economy has become more difficult lately.

A question mark will hang over the political climate until the impasse over the Meech Lake constitutional accord is resolved. For the next year or so at least, economic growth is likely to be sluggish.

The environment for business is also less attractive than it was a few years ago. "There is a sense that the bloom is off the rose a little bit, and there's a difficulty in assessing how far that's going to go," says Mr James Carnegie, executive director of the Ontario Chamber of Commerce.

Foreign investors appear to be especially unsettled by the flurry of extra demands made by the Peterson Government on business in the past four years, including new rules to pay men and women equal rates for work of equal value; a payroll tax to fund the province's superb health-care facilities; tighter anti-pollution regulations; and moves towards compulsory indexing of company pensions to inflation.

The Government's ambivalent policies are reflected in provincial treasurer Mr Robert Nixon's comment that "we feel we were elected to increase expenditures on social programs. At the same time, we understand the importance of making this a good place to invest."

Mr Nixon says that "we're not trying to get votes (from business). We're trying to get the investment that will keep our economy growing, with the jobs that come with that."

Investors' concerns about Ontario surfaced forcefully in a report on the competitiveness of the North American automotive parts industry, published in March 1990 by the management consultancy Booz Allen and Hamilton.

The study, commissioned by the Automotive Parts Manufacturers Association of Canada, concluded on the basis of a survey of industry executives that "the US south-east is the best location for a new plant investment and Ontario is the worst."

Booz Allen said auto parts workers in Ontario cost their employers an average of C$19.64 an hour (including social security, health care, workers compensation and training), compared to C$13.97 in Quebec, and C$17.53 in new US plants. More than four-fifths of respondents cite high employee turnover and absenteeism as a drawback in Ontario. They are also strongly critical of government intervention.

"The cost of social programmes has become more than just an annoyance," one executive is quoted as saying.

Recognising the stiff competition for corporate investment, the Ontario Government is playing to its strengths by also making a pitch to immigrants with money to spare.

For the past six years, the industry ministry has shown groups of British and West German entrepreneurs around the province, with a particular eye on retailand service businesses outside Toronto.

Hong Kong has become a big source, with investors putting their money into Ontario enterprises as diverse as a struggling garment-maker and a rural golf course.

Mr Hildebrand says one of the tricks is to look for trouble spots around the world where people are eager to uproot themselves and their money. Political objections have so far kept his department's marketing teams away from Taiwan and South Africa, two of the richest lodes of wealth and skills seeking a new home.

The floor of the Toronto stock exchange which accounts for 75% of shares traded in Canada

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How the tariff walls tumbled

ABOUT 25 per cent of US-Canada trade was subject to customs duties when the free trade agreement (FTA) between the two countries came into force on January 1, 1989. Under the FTA, all these remaining duties will be eliminated by the beginning of 1998.

Some, on items such as computer equipment, leather and ferro-alloys, were abolished when the FTA took effect.

Other selected items are to be phased out in equal steps over either a five or 10-year period. But in the wake of a torrent of requests from businesses on both sides of the border, tariff cuts on about 400 items, representing two-way trade of about C$6bn a year, were accelerated in April 1990.

These products included petrochemicals, aluminium, telecommunications equipment and diesel locomotives.

With Washington and Ottawa having received several hundred more requests for accelerated dismantling of tariffs, these reviews are likely to become an annual event.

The benefits of the FTA apply to goods originating in Canada or the US, or which have been "transformed" in either country to the extent that they qualify to be moved from one tariff heading to another.

Automotive exports from Canada are entitled to duty-free treatment, provided 50 per cent of direct production costs are incurred in Canada.

A Canadian embargo on used car imports from the US is being lifted in stages to 1993 when free movement will be allowed.

The FTA makes it easier for business people from one country to work temporarily in the other, including intra-company transfers.

It also provides for "national treatment" in a wide range of sectors, meaning that neither country can impose rules on the other's imports without the same requirements applying to its own products or services.

The agreement sets up a new mechanism to resolve trade disputes between the two countries, but does little to take the sting out of the issue of subsidies, probably the most contentious point of friction between the two countries.

Progress on the subsidies issue is not expected before completion of the Uruguay round of multilateral trade negotiations.

Full details of the FTA are available from the customs and excise branch of Revenue Canada in Ottawa.

Bernard Simon

PAY POLICY

The elusive value of a job

ONTARIO has some of the world's toughest pay-equity laws, and implementing them is frustrating for business and disappointing for women.

All public sector employers and private employers with 500 or more workers had to post plans by January 1, explaining how they would revise pay scales to provide equal pay to men and women for work of equal value. About 20 per cent failed to meet the deadline. The Ontario Government was among the stragglers. But while employers grumble, women's groups complain the laws are too weak: as many as 700,000 women are not covered by the legislation.

The critics complain the legislation will not do enough to narrow the wage gap between men and women. In Ontario, women earn, on average, about 64 per cent as much as men. About one-third of the difference is blamed on wage discrimination.

Pay equity in Ontario goes beyond US legislation and other Canadian provinces, which generally applies only to public employers. All employers in Ontario with more than 10 workers must assess jobs if more than 60 per cent are held by women.

The jobs are graded according to skills, effort, working conditions and the responsibility they require, and are then compared to jobs held mostly by men. If a women's job is deemed equally valuable to a man's job but she is paid less, employers must raise the women's salary.

Private employers can do this gradually, spending a minimum of 1 per cent of their payroll each year. Public employers must complete all raises by 1995. The law prohibits lowering men's wages to bring them in line.

"People are really on the edge of their chairs, waiting to see what happens; other provinces are watching and there's quite a lot of interest from the US," said Ms Wendy Cuthbertson, of the Ontario Pay Equity Commission.

There are some deadlines for private employers. Companies with 100-499 employees must post plans by January 1, 1991, those with 50-99 workers post by January 1, 1992 and smaller companies by 1993. Pay adjustments must begin no later than one year after the plan is posted. "We received about 30,000 phone calls since the legislation was passed," Ms Cuthbertson said. "We're just now starting to get calls from the second wave of employers."

About 3,800 companies must meet the January 1, 1991 deadline. Analysts have estimated pay equity will push up company payrolls an average 5 per cent, but raises for individuals have varied widely.

Warner Lambert-Canada, confectionery maker, found only 40 staff were affected, winning raises of 1-2 per cent. IBM Canada said it will make no adjustments. However, among the province's 6,500 public sector employers, some workers are winning big rises.

At the University of Toronto, pay equity increases will add about 2 per cent or C$8m to the annual payroll. Eight nurses at the university will see their annual salaries jump almost 45 per cent, from C$37,376 to more than C$54,000.

The Canadian Union of Public Employees, Canada's biggest union, has won annual wage rises of C$3,982 for classroom assistants in Toronto's Roman Catholic schools. Secretaries at the York Region School Board will see their salaries increase by 22 per cent to bring them in line with wages paid to maintenance foremen.

When the Ontario Government posted its plan – two months past its own deadline – it promised to pay C$86m over three years for adjustments for about 30,000 workers. Men account for about 25 per cent of those receiving wage rises. The availability of cash to help men as well as women makes it easier for some companies to accept the legislation.

Pay equity specialist Ms Lynne Sullivan of William M. Mercer pointed out if companies evaluate all jobs, not just women's jobs, they can streamline operations and increase efficiency. But the legislation has many detractors.

Some companies appear reluctant to negotiate pay equity, citing the cumbersome process of analysing jobs and fears of divisive pay disputes with men and women. Talks have broken off at Canada's largest newspaper, The Toronto Star, with the union accusing management of bargaining in bad faith. And some women are unhappy with the job comparisons.

A group of nurses at a Toronto hospital were refused raises after job assessments equated them with the institution's pastry chef. Women's groups criticise the law for demanding comparisons between female-dominated and male-dominated jobs, charging it deprives hundreds of thousands of under-paid women.

They point out companies in so-called "female job ghettos" – fields such as child care or nursing which traditionally employ women at low pay – often have no male employees to serve as comparison.

These concerns have led Ontario's Pay Equity Tribunal, the final arbiter of pay equity disputes, to a bold decision that has made employers even more nervous. In one case, a group of public health nurses was not going to win pay equity increases because their employer had no male-dominated job class. The tribunal ruled that local police should be considered employees of the municipality, instead of the police commission, in order to give the nurses a raise.

Jennifer Lanthier

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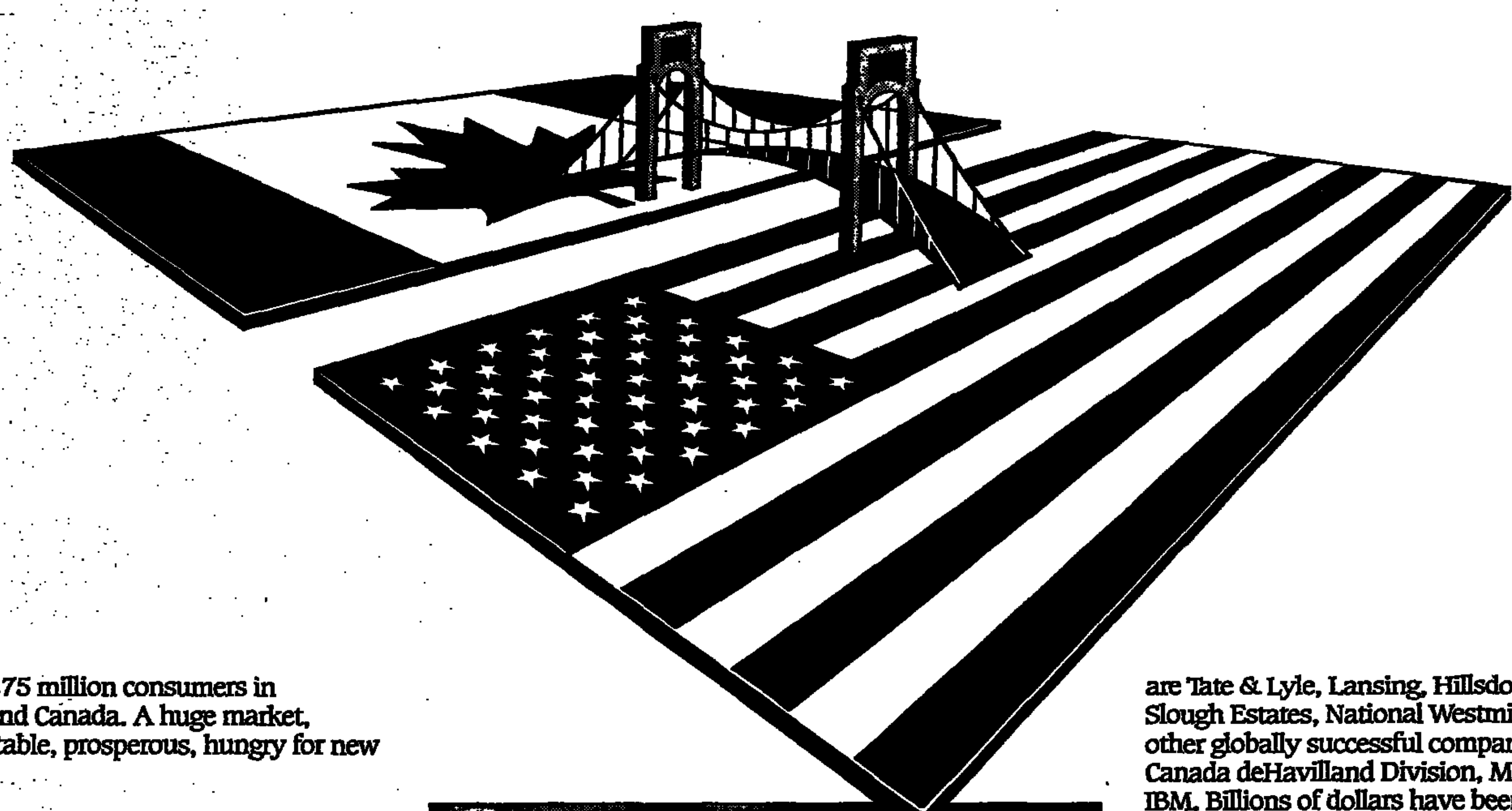

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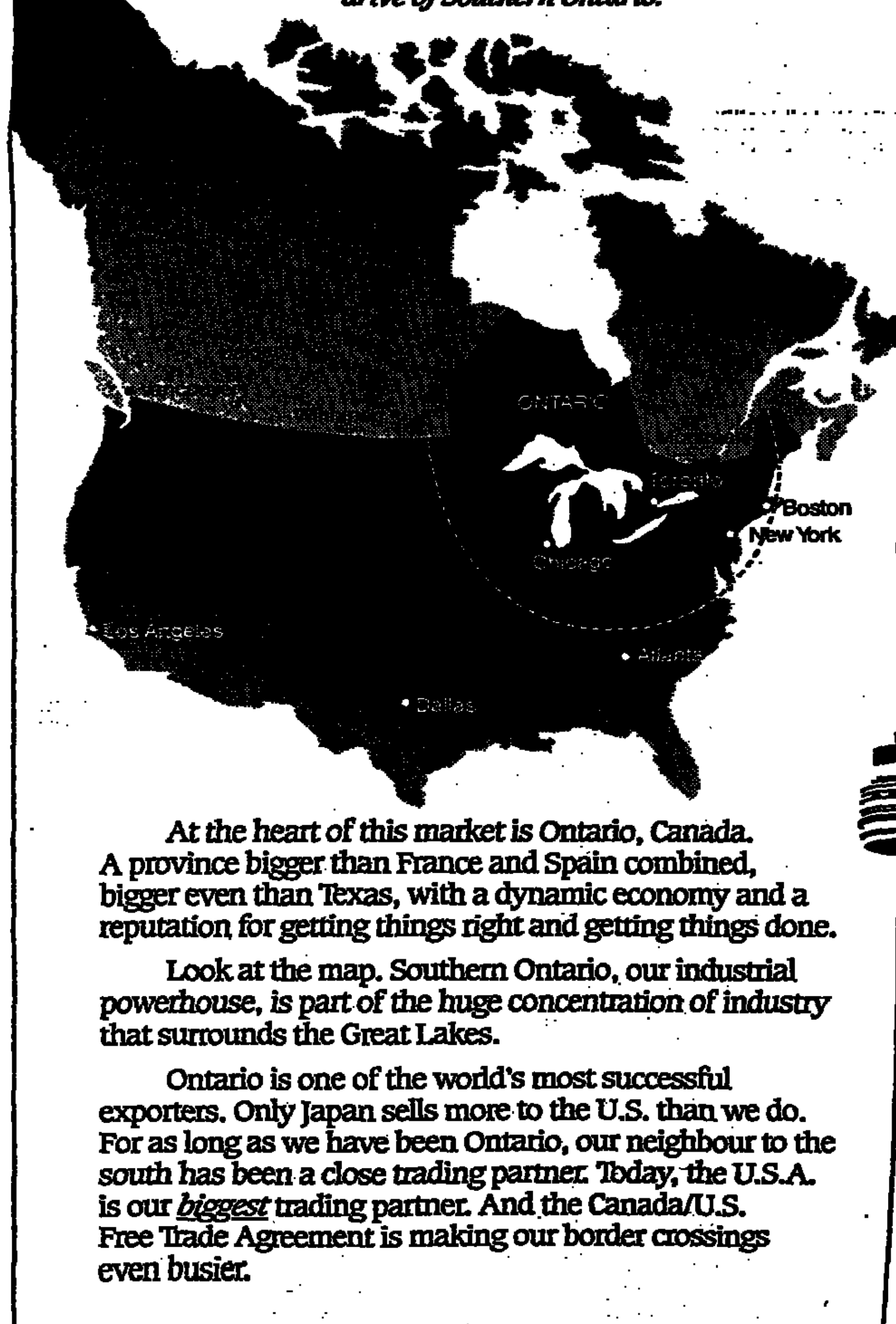

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Make it in
Ontario
Canada

A tale of three cities: **Bernard Simon** profiles Toronto, Sudbury and Windsor and assesses their varying fortunes

More than just a metal town

THE SLUMP in world metal markets in the early 1980s spurred a remarkable transformation in the fortunes of Sudbury, centre of Canada's – and much of the western world's – nickel mining industry.

Although Inco, the city's biggest employer, has shrunk its workforce from 13,000 to 8,000 in the past eight years, a drive to diversify the local economy has helped Sudbury stage a vigorous comeback.

Equally important, the broader base should ensure a softer landing for Sudbury when the nickel market takes its next dive.

Unemployment in the area has tumbled from a peak of 19.2 per cent in 1982 to less than 8 per cent, roughly the national average.

Retail sales have more than doubled and the value of new construction was five times higher last year than in 1982. The regional municipality has stopped taking on debt and

SUDBURY: the centre of Canada's nickel mining industry

expects to finance all capital works from current revenues by 1993.

From being a one-industry town, Sudbury, which is 250 miles north of Toronto, has become north-east Ontario's centre of government, transport, medical services and education.

Mining's share of total employment has fallen from more than a third in the 1970s to about 15 per cent. At the same time, the city has tried to build on its mining base.

A mining-oriented Science Centre which opened in 1988 has spawned a modest tourist industry.

The latest lift to efforts to draw mining research to the area is an underground neutrino observatory deep down an Inco mine.

Much of the credit for Sudbury's revival is given to Mr Tom Davies, the energetic chairman of the regional municipality.

Mr Davies, a former car salesman, has used shrewd political instincts, a salty tongue and a knack for putting firecrackers in the right places, to harness government, business, labour and social groups.

Recalling the 1981-82 slump, Mr Davies says: "All of a sudden a bomb was dropped on everybody's head. This was the first time in our history that we could all bitch at something else."

The 10 task forces then came up with an impressive variety of ideas. A make-work project started in the depths of the recession employed 4,600 people to replant some of the trees and grass killed by the pollution from the nickel producers' smelters.

Every association of any kind in the city was encouraged to search for conventions and sports meetings – the results have included the World Junior Games and the Canadian figure-skating championships.

Sudbury's improved fortunes owe much to government largesse. The federal authorities have set up a taxation centre in the city which processes tax returns for the whole of Ontario, except Toronto and Ottawa.

The Provincial Government is moving its entire ministry of northern development and mines, about 500 people in all, from Toronto to Sudbury.

The improved nickel market has helped. The two nickel producers, Inco and Falconbridge, remain the city's biggest employers, and have pumped substantial sums of money into the local economy.

Inco has paid out C$88m in cash bonuses over the past two years, in accordance with a labour contract which provides for quarterly payouts whenever the nickel price exceeds US$2.25 per lb.

The company's spending will reach a peak this year on a C$500m programme to install a new smelter and cut sulphur dioxide emissions from the 1,250 ft tall "super-stack" which dominates the Sudbury landscape.

Sudbury fans are confident that the city will take the next downturn in nickel prices in its stride. One point in their favour is that the mining companies are likely to lay off fewer employees than last time.

Inco's workforce is an average of 47 years old, and 1,200 of its workers are eligible to retire on full, partially-indexed pensions.

The nickel industry has more pensioners than workers living in Sudbury. On the other hand, Sudbury is unlikely to escape a metals slump unscarred.

A senior Inco official notes that "the region has diversified, but a lot of that diversification is still dependent on the mining industry's health."

Glyn Genin

Canadian Airlines International will operate from the £300m Terminal Three (above) at Toronto's Pearson International Airport. The terminal, which is due to open in September, 1990, is expected to handle 10m passengers in the first year of operation. It is the first terminal in Canada to be developed, owned and operated by the private sector

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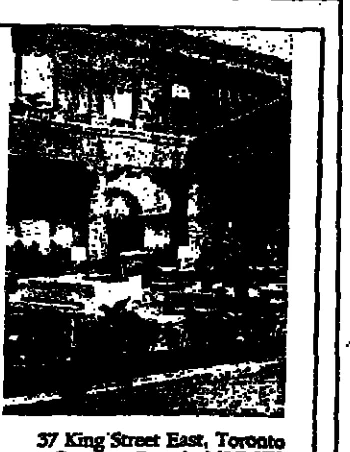

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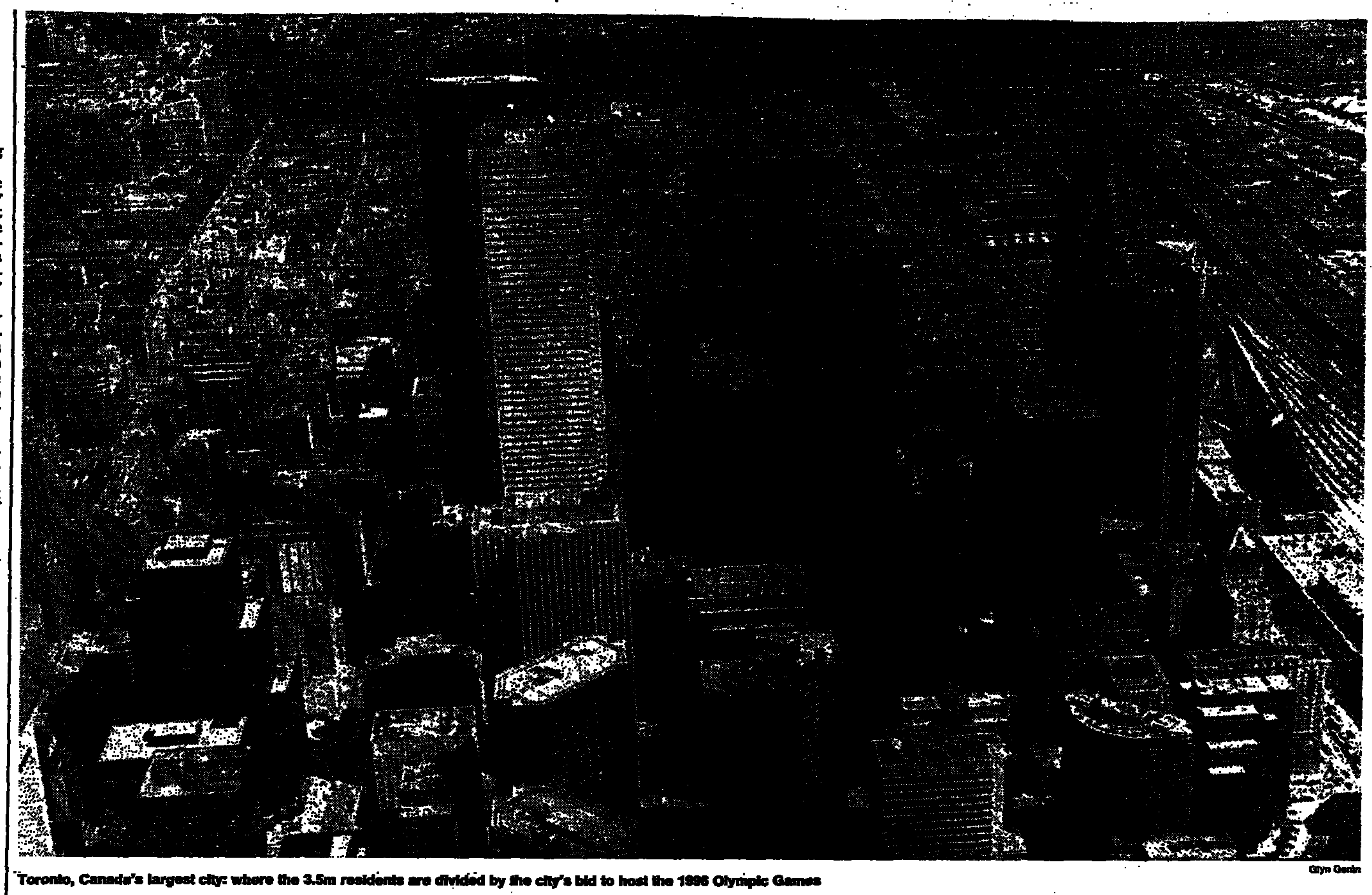

Toronto, Canada's largest city: where the 3.5m residents are divided by the city's bid to host the 1996 Olympic Games

Glyn Genin

A choice between bread and circuses

THE 3.5m residents of Toronto have decidedly mixed feelings about their city's bid to host the 1996 Olympic Games.

For many, being chosen for the Games would be the crowning glory to a decade of unparalleled growth.

It would provide an opportunity to show the rest of the world at least one North American metropolis where it is safe to walk the streets at night and pleasant to live even in the downtown core. But the bid also has its critics, who have united under an umbrella group called Bread, not Circuses.

They contend that after years of pell-mell growth, Canada's biggest city needs all the time and resources it can spare to catch its breath, rather than chase after a two-week sports extravaganza.

The heady expansion of the 1980s greatly strained Toronto's reputation as one of North America's best-run and most livable cities. By last year, the average price of a house had soared to C$280,000, while prime office space was renting for as much as C$50 a sq ft.

A 25 per cent jump in the city's commuter population since 1982 has far outstripped improvements to public transport and roads. Enormous pressures for new housing and commercial space have all too often allowed property developers to gain the upper hand over city planners.

Drugs, gang violence and homelessness have all become more evident. The economic slowdown which has become apparent since mid-1988 will

TORONTO: owes some of its success to accidents of history and geography

help planners make up at least some lost ground. The city's population is now flattening out for the first time in eight years, and supply of both housing and office space has caught up with, if not overtaken, demand.

Although listed property prices and rents have so far held up, the scope for negotiating with sellers and landlords has greatly increased. In spite of the strains of the past few years, Toronto remains the envy of many other North American cities.

Its polyglot population, from starchy Anglo-Canadians to vibrant Jamaicans and industrious Chinese, gets along remarkably well. For example, 56 people were murdered in Toronto in 1989, half the number in Boston, a city about the same size.

Toronto owes some of its success to accidents of history and geography. Canada's strong social security net has contained the number of homeless people on the streets and helped avoid sprawling ghettos of urban poverty. The city has drawn a stream of skilled and entrepreneurial migrants, ranging from thousands of Montrealers who moved during the separatist crisis of the 1970s, to large Italian, Polish and Vietnamese communities.

It has benefited by displacing Montreal as Canada's financial services capital. The city fathers deserve some of the credit too. Some important decisions over the past 40 years have made the main business district more accessible and vibrant than most US cities, while creating a more balanced mix of neighbourhoods in the suburbs.

Unlike most US cities, Toronto has a strong and well-established regional Government. The Metropolitan Toronto Council, which represents six adjacent municipalities (of which the City of Toronto is one), decided at an early stage on a fair share policy of distributing low-income housing throughout the region. Setting up high-density suburban hubs was made easier by an efficient public transport system, described by Mr Peter Tomlinson, the director of planning and development, as a "countervailing force to the automobile."

Toronto claims that 99 per cent of its residents live within a seven-minute walk of a bus, tram or subway. The city has tried to keep the downtown area alive by promoting residential development, mostly in the form of mixed-use projects. About 150,000 people live in and around the inner city.

The growth of the downtown population has left a few scars. Some of the newest residential units are ugly high-rise apartment buildings on reclaimed land overlooking Lake Ontario, which was originally earmarked for parkland and tourist facilities.

The Crown corporation which oversees the harbour front area overcame a cash crunch in the early 1980s by giving developers virtually a free hand in putting up new buildings. Further development has been frozen for the time being.

Two of the city's important projects over the next few years aim at a further expansion of housing in the central area, especially for lower-income groups. If Toronto succeeds in its bid for the Olympics, the athletes' village will be built on disused railway marshalling yards under the shadow of the CN Tower, and later turned into about 7,000 housing units.

Development of the site will go ahead even if the Olympics bid fails, but at a slower pace.

The city has assembled another 60-acre parcel of under-used industrial land east of the financial district to be used primarily for housing.

One of the biggest challenges for Toronto's planners is to find a way of expanding the business district southward towards the lake front. Although the two are within a few hundred yards of each other, they are separated by railway lines, a trestle of expressways and an unsightly wasteland of parking lots and dilapidated buildings.

A start has been made by building a light rail track to the harbour front and a perspex pedestrian walkway (with its own fresh air supply) next to a road tunnel under the main railway station.

One bold proposal has suggested that the highways which bisect the area should be replaced by a tunnel under Lake Ontario. The tunnel could be at least partially financed by selling development rights on parcels of land which become available once the existing highway is demolished.

Risks and rewards of a place on the frontier

NOWHERE IN Canada are the rewards and risks of freer trade with the US more apparent than in the border city of Windsor, Ontario.

Windsor, a five-minute drive from downtown Detroit through a tunnel or across the Ambassador Bridge, has for 25 years reaped the benefits of the Auto Pact, the 1965 automotive trade agreement which created an integrated North American motor industry.

General Motors, Ford and Chrysler between them have 10 factories – including assembly lines for Chrysler mini-vans and commercial vehicles – in the Canadian city.

When parts suppliers are included, the automotive sector makes up almost two-thirds of Windsor's manufacturing output. Like Detroit, Windsor is no longer the magnet it used to be. The city's population has stagnated at just below 200,000 inhabitants for the past decade.

Japanese and South Korean car makers have chosen more rural sites for their four Canadian assembly lines, put off by a unionised and ageing workforce. Only a handful of new parts plants have come to Windsor.

Mr Gerry Bastein, local director of the Canadian Auto Workers union, adds: "When labour-intensive plants can go to Mexico and pay one-tenth of what we're paying, I don't know how we can win the battle." Similarly, local food processors are concerned that the elimination of tariffs under the US-Canada free trade agreement will leave them vulnerable to US competitors, who can count on cheaper raw materials.

Windsor is the home of Hiram Walker, the venerable Canadian distiller bought by the British food and beverage group Allied-Lyons in 1986.

Empty shop windows in the main shopping area are evidence of the heavy price local merchants have paid for the sharp rise in the Canadian dollar, which has drawn Canadians in border towns throughout the country to US shopping malls.

Development commissioner Mr Paul Bondy estimates that Windsor residents are spending about C$1m a week across the border on clothes, fuel, appliances and other consumer goods. In an effort to get some

WINDSOR: traders feel the end of tariffs will leave them vulnerable to US competitors

of that business back, tenants of Windsor's biggest mall last month organised a three-day "Great Canadian Dollar Event," offering a 15 per cent discount (almost the gap between the Canadian and US currencies) on all merchandise.

Windsor, which by a quirk of geography lies due south of Detroit, has little choice but to try and turn adversity into a virtue.

Having had slower growth than Toronto and other big North American cities for the past eight years, it can now offer housing, office space and industrial land which, in relative terms, are even cheaper than they were before the price rises.

It has been spared the decay, violence and social problems which bedevil its much bigger neighbour across the river.

While not burdened by Detroit's problems, local residents are quick to point out that they can easily take advantage of its restaurants and cultural events. And living in one of Canada's most southerly communities, the people of Windsor can, in Mr Bastein's words, "get on the golf course three weeks earlier than they can in Toronto, and stay on three weeks longer."

The city is pinning some hopes on persuading the Ontario and Federal Governments to give it a bigger share of civil service offices which, with the notable exception of the local customs post, are virtually non-existent.

Windsor opened a development office in Toronto recently to try to get its point across more forcefully to provincial politicians.

The other arrow in Windsor's bow is an ambitious 35-acre riverfront development which the president of the local chamber of commerce Mr George King predicts "will change the image of the city as a flat industrial place next to a crime-ridden American city."

The project, geared to tourism and recreation, may include a marina, parkland and boutiques. Formerly used as railway marshalling yards, the site is due to be levelled by September 1990.

The municipality has appointed as consultants Edaw, the same Virginia-based company which helped design the Vietnam war memorial in Washington DC and a heritage park in Auckland, New Zealand.

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John Fox examines the direction of legislation to safeguard the environment

Cleaning up can be dirty work

THE business community and the environment lobby have grown dissatisfied with the way Ontario administers its anti-pollution laws, which are among the most stringent in North America.

Companies want more predictability, environmentalists want a broader application, and both want the rules to be streamlined and more efficient.

Mr James Bradley is the province's Environment Minister and he has earned a reputation as a hard-nosed environmental policeman who seems to prefer confrontation to conciliation.

Mr Bradley is a member of Premier David Peterson's inner circle of senior ministers and took the environment job in 1985 with a strong election mandate to crack down on polluters.

He has tackled the assignment with vigour. Prosecutions for pollution offences have more than quadrupled in the past four years to almost 250 in 1989, involving 343 companies and individuals.

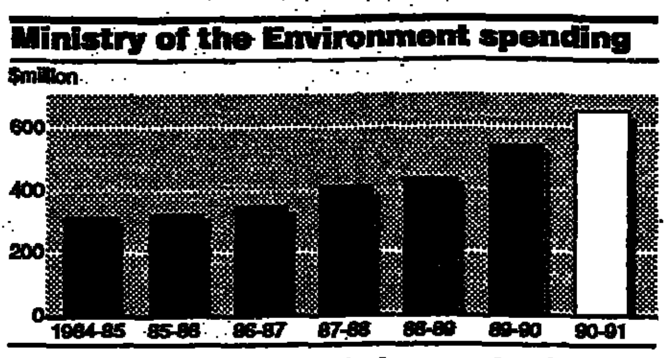
Prosecutions for pollution offences have quadrupled in the past four years

Convictions more than tripled over the same period, with government lawyers winning 92 per cent of their cases.

Average fines jumped 85 per cent to C$11,506 in the 1988-89 financial year from C$6,212 the year before.

The Government is looking to enlisting the public's help in taking polluters to court. A recent report by the Ontario Law Reform Commission, an independent group which offers the Government advice on legislative policy, recommends that individuals, even those who haven't suffered direct harm from pollution, be allowed to sue companies on behalf of society at large for environmental damage.

Ministry of the Environment spending



Mr Bradley has also taken a hard line on garbage. His target is to cut waste going into Ontario's dwindling municipal dumps by 50 per cent by the end of the decade.

An important element to reaching that goal is the provincially funded household waste recycling program, which involves more than 2m households.

In typically combative fashion, Mr Bradley recently threatened companies not doing their part to support recycling that they may be forced to label their products with an unpleasant logo and to caution consumers that the product contributes to the province's rubbish problem.

Mr Bradley's hard-line style has generally won praise from environmentalists who say Canada's industrial heartland is long overdue for action against polluters.

The province has been ravaged by acid rain, most originating from the smokestacks of the US mid-west, which has damaged an estimated 19,000 lakes.

Smog from automobile exhausts has fouled the air and farmland in the province's main transportation corridor along the north shore of Lakes Erie and Ontario.

Among the highest profile environmental issues facing the Government has been pollution of the Great Lakes. An international commission representing Ontario and several US lakeside states has designated 42 pollution "hot spots" on the Great Lakes, of which 17 are in Ontario, including the harbours in Toronto and Hamilton.

The Government is enlisting the public's help in taking polluters to court

Clean-up costs have been estimated as high as C$2bn. On the other side of the coin, the business and legal communities chide Mr Bradley for going too far in his crusade against polluters.

They say his litigious style has forced companies to divert funds for legal help instead of concentrating on cleaning up their operations.

Mr Burton Kellock, a lawyer with the Toronto firm of Blake Cassels & Graydon, says the Ontario Environmental Protection Act, centrepiece of 26 statutes regulating pollution in the province, is so vaguely worded that it could make an environmental offence out of driving a car or playing a radio too loudly.

"The real problem with legislation like the EPA is that it is difficult to know before the fact what acts or emissions (environment ministry investigators) will consider to be offences from time to time," Mr Kellock said.

Combined with growing political pressure for action against polluters, Mr Kellock said broad interpretations of the EPA mean "the risks of fines and imprisonment . . . *that executives now face are likely to escalate in the near future.*"

In other areas, businesses and environmental groups have come together in calls for legislative reform. For example, they want the province's Environmental Assessment Act to be streamlined.

The 16-year-old statute, the first of its kind in Canada, allows opponents of both private and public projects with a widespread environmental impact to call for an elaborate process of public hearings.

However, the Environment Ministry doesn't have enough staff to analyse the mountains of documents regularly submitted to support development proposals, and hearings can add two to three years to the approval process. The costs and uncertainty have left developers and their opponents weary.

Mr Bradley is looking for ways to streamline the process without taking away its teeth. A proposal is expected later this year.

Mr Bradley is at the regulatory drawing board with an initiative called the Municipal-Industrial Strategy for Abatement.

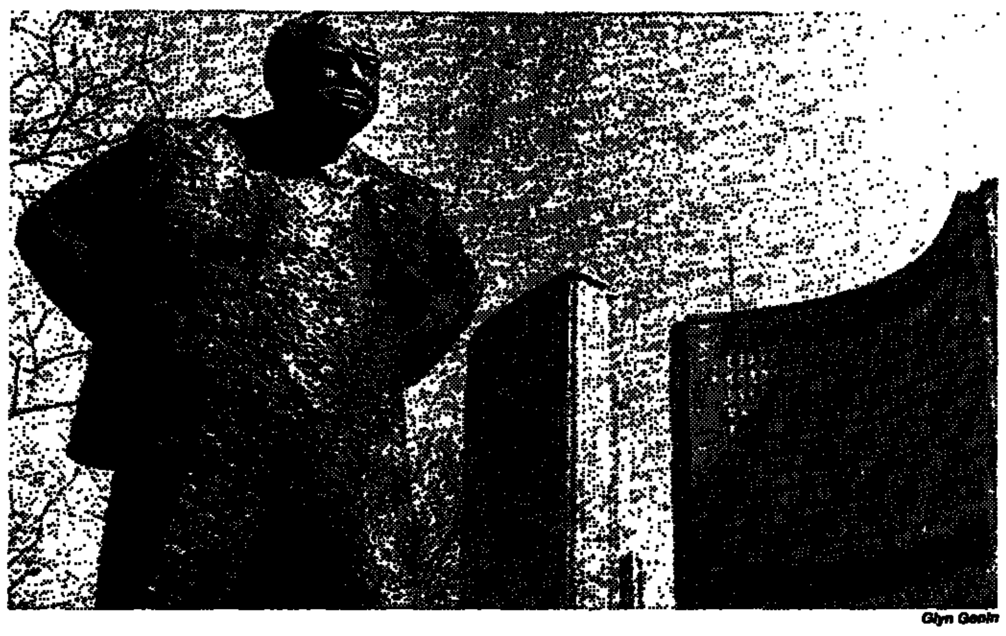
The programme's goal is to eliminate all persistent toxic chemicals from industrial waste and municipal sewage.

Under the programme, companies in nine industrial sectors – industrial minerals processing, petroleum refining, organic chemicals, iron and steel, pulp and paper, inorganic chemicals, metals mining, metal casting and electric power generation – must monitor discharges of about 300 toxic chemicals.

Mr Bradley's hard-line style has generally won praise from environmentalists

The Government plans to use the data to set stringent emission standards, based on the best "economically achievable" technology.

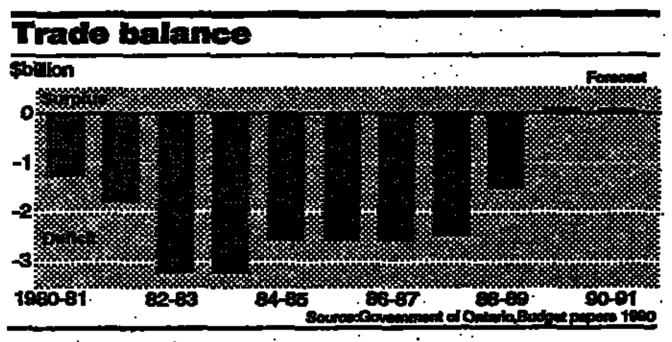
The first set of rules, for the petroleum refining industry, may be in place as early as next year.



Glyn Genin

Statue of Winston Churchill outside the Toronto City Hall

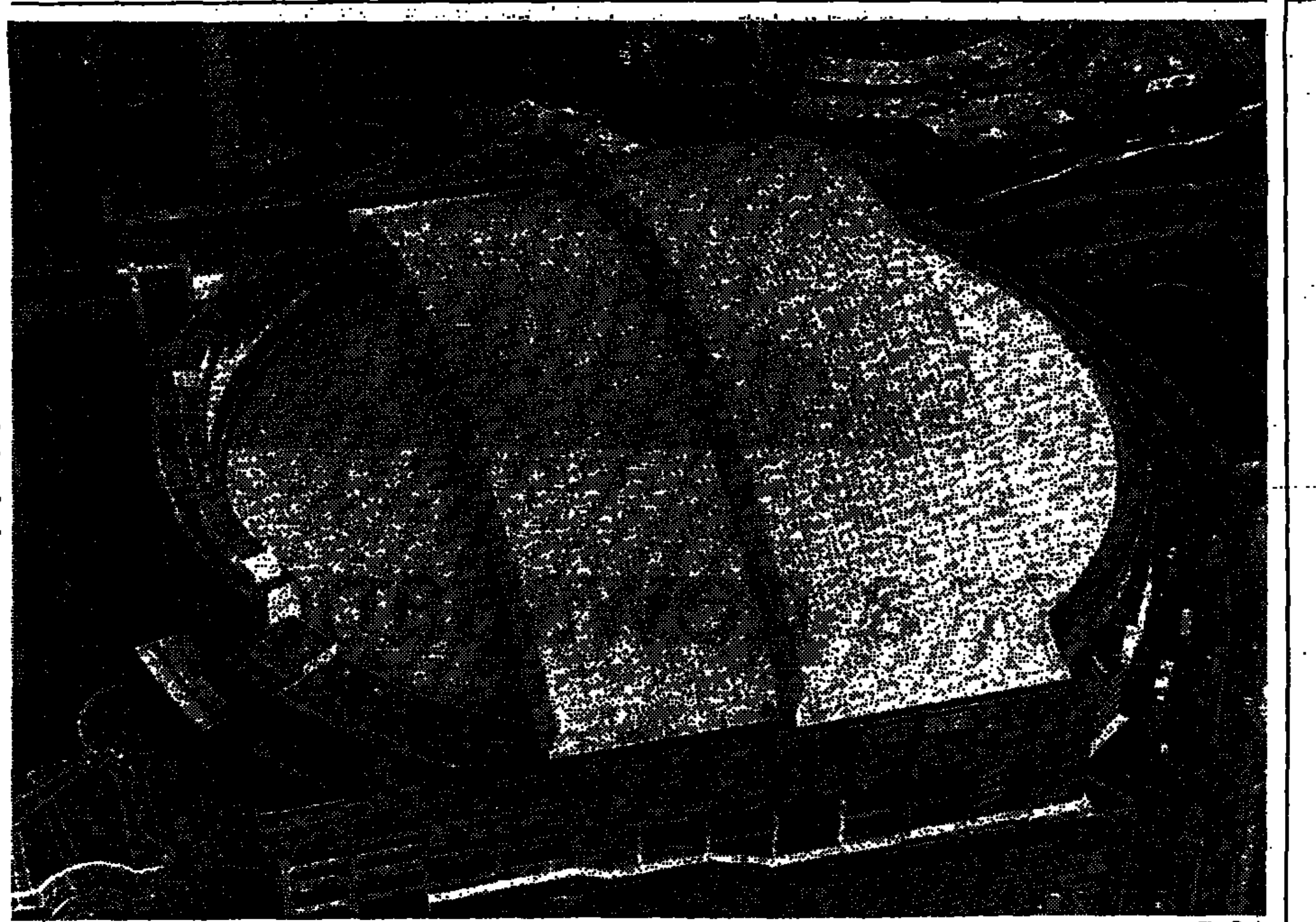
Trade balance



FACT FILE

Population	9.6m
Area (000)	916.7 sq km
Premier	David Peterson
Total GDP (C$m)	242,558
Real GDP growth	4.8%
Exports 1987 (C$bn)	61.0
Imports 1987 (C$bn)	73.6
Trade balance 1987 (C$bn)	-12.6
Inflation 1987	+4.4%
Persons per physician 1987	450

GDP by economic activity (1988)	
Manufacturing	26.1%
Finance, insurance	15.7%
Wholesale and Retail Trade	12.4%
Public Administration	5.5%
Construction	6.7%
Transport and Communication	6.0%
Hospital beds per 1,000 persons 1986	5.6
Divorce Rate per 1,000 persons	2.6
Life expectancy (years)	76.4



Glyn Genin

SkyDome: the world's only large stadium with a fully retractable roof, made from steel and plastic

SKYDOME

Roof weathers higher costs

THERE MUST be something special about a stadium that in less than a year has hosted two Rolling Stones concerts, an international cricket match, the opera Aida, motor cycle races, a wrestling extravaganza, an Australian rules football match and several dozen baseball games. None of these events however, is the main claim to fame of Toronto's new SkyDome, the bulbous structure built on disused railway yards in the shadow of the spindly CN Tower.

The SkyDome is the world's only large stadium with a fully retractable roof, which allows spectators to bask in the humid warmth of the all-too-brief Canadian summer, but be shielded from the snow, freezing rain *and sub-zero temperatures* that give Toronto its bad name between December and March.

The *steel-and-plastic roof*, patented by Toronto architect Mr Roderick Robbie and Ottawa structural engineer Mr Michael Allen, opens or closes in 20 minutes.

It consists of four separate panels covering an area of about eight acres. To open the roof, one quarter-sphere panel rotates 180 degrees from the southern to the northern end of the stadium, sliding in above the only fixed panel of the four. Two arched-roof sections covering the middle of the stadium then telescope to the north, coming to rest over the first two panels.

Among the stadium's features is a hotel with 70 rooms

Among the SkyDome's other features are a hotel with 70 rooms offering a Royal Circle *view of the playing field*; the biggest McDonald's fast-food outlet in North America; a fitness club; and a 650-seat restaurant. Many of the facilities, including all four levels of seating, are accessible to people in wheelchairs.

The number of seats in the stadium depends on the event. Sports traditionalists may be appalled to learn that the biggest draw was April's Wrestlemania show (more mania than wrestling, many would argue), which pulled in 67,678 people.

Nonetheless, Toronto's baseball team, the Blue Jays, has drawn bigger crowds since the SkyDome opened than any of the other teams in the American league. SkyDome officials hope to attract 4m baseball spectators during the 1990 season which opened last month.

The SkyDome has some critics. The final cost of C$532m is more than double the original estimate. To the dismay of those with shallower pockets, corporate sponsors who contributed C$210m towards the cost have sewn up advertising rights in the stadium, as well as spectator boxes and many of the best seats.

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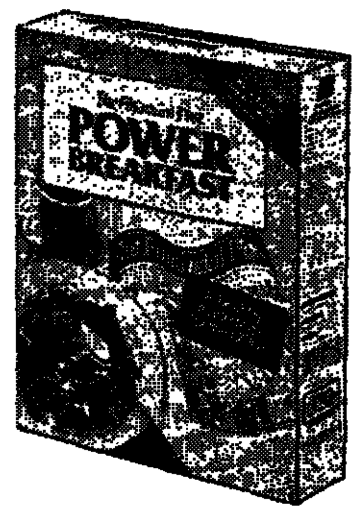
The SkyDome is run by a provincial Crown corporation and is among the projects aimed at reviving the disused marshalling yards owned by Canadian National Railways near Toronto's main railway station. A four-acre park is being built. Next on the drawing boards is a housing and office complex to the west of the stadium designed as the athletes' village if Toronto succeeds in its bid to host the 1996 summer Olympics.

Bernard Simon



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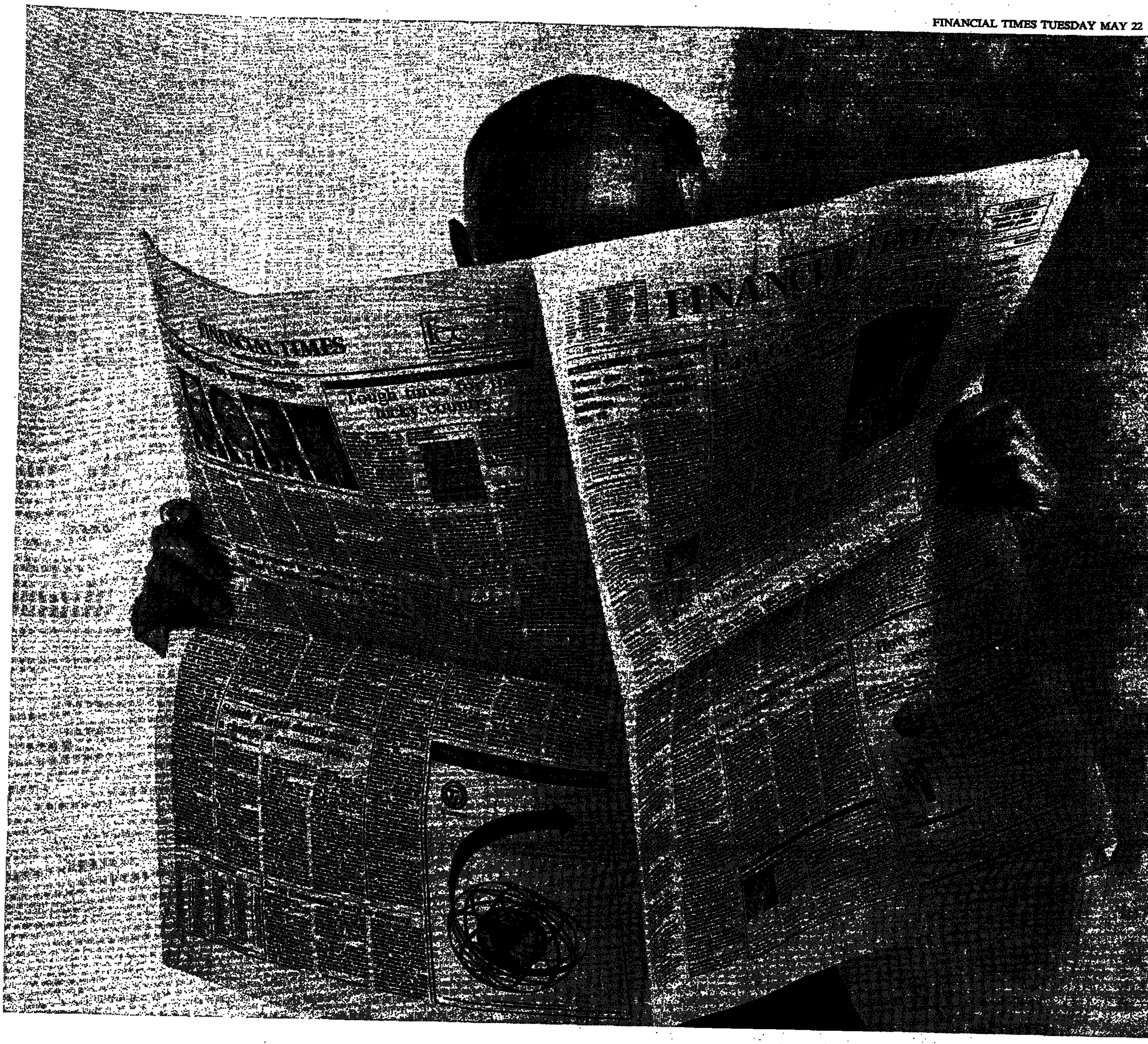

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